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MILITANT LIFE INSURANCE

AND

OTHER ADDRESSES

BY

DARWIN P. KINGSLEY

PRESIDENT OF THE

NEW-YORK LIFE INSURANCE COMPANY

NEW YORK

PUBLISHED BY THE COMPANY

1911

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DEDICATED

TO THE BLESSED MEMORY OF

JOHN A. McCALL

*Blessed are ye when men shall hate you, and when they shall separate you from their company, and shall reproach you, and cast out your name as evil * * * ; for in the like manner did their fathers unto the prophets.*

—Luke VI, 22, 23.

FOREWORD

To My Business Associates:

A man's business is whatever keeps him busy. Whatever keeps a man busy is the most important thing in his life. The theory of the "business talks" included in this volume is that labor is the first duty of man; that labor should be done with enthusiasm; that every sort of labor is important; that labor done honestly, earnestly and intelligently, so nearly discharges man's duty to all that he knows about life that religion is not very far off. If a man seeks truth as he labors, if he loves the beautiful and contributes to its creation in the performance of his daily tasks, if he is possessed of sufficient race consciousness to understand that his obligations to others are imperative and that both the quantity and the quality of his work enter into the liquidation of those obligations, he is a religious man,—a deeply religious man.

Every man has a pulpit,—his daily task; but only those who work with high enthusiasm are preachers. Nylic men are Ministers, not of Grace but of Self-Respect. Your sermons are printed in the growing self-respect of men. They are bound up in the great storehouse of social power called the New-York Life.

My daily task for five years has been a heavy one. What sermons, if any, I have preached from that pulpit, I may not say; but, incidentally, I have now and then assumed the role of the real preacher. The product is this volume.

D. P. K.

346 Broadway, New York.
December, 1911.

MILITANT LIFE INSURANCE

Delivered before the National Association of Life Underwriters, Hartford, Connecticut, September 19, 1905.

IT SEEMS to be a universal law that whatever survives, whatever grows, whatever becomes useful, must fight.

I can recall no great reform, no great revolution, political or intellectual, that has not been attended with a severe struggle. This has been especially true in the establishment of moral and religious ideas. Every great religion has had to fight, not merely with pen and voice, but with the sword; and, generally speaking, the men behind great moral and religious movements have not only been obliged to fight, but have been willing to fight, have even sought conflict.

Once seized with genuine religious or moral conviction, man is apt to become a zealot. He wants to preach; and from preaching he wants to fight. He is moved to force his ideas onto other people. For example: once possessed fully of a belief in hell fire and the sufficiency of the Christian plan of salvation, how easy to reach the

conclusion that, in order to save an otherwise lost soul, almost anything was justifiable. The horrors of the Inquisition, after all, sprang from a deep sense of duty. We can think of such men as being wrong; we believe they were frequently cruel; some of their acts in the light of later knowledge seem wholly infamous; but it is never possible to think of them as indifferent. In no act of their lives, in none of their relations to the world, are they presented as hesitant or doubtful or questioning. They are always in the attitude of conquest. Possessed of this ecstacy, every impulse of life drives the believer to exhaust himself in carrying his faith to the uttermost parts of the earth.

It is difficult for us to think of these forces as being operative in our day, and in our country. When searching for examples of men so moved, we naturally look in the early centuries, when men dared the unknown in order to establish their faith, or in a later period, when Europe was torn with religious strife, and the bloodiest and cruellest wars in all history were fought. Some of us may possibly let our minds run as near to the present as the time when Charles Darwin advanced his theory of evolution. I don't need to recall here the bitterness with which he was denounced. But to bring our quest up to the present hour, to realize that the same intense conviction which moved the early navigators and later reformers and stirred the Church still lives in some form, and still moves the world, is difficult.

The tendency indeed is strongly against any such conclusion. We are rather disposed to believe that the giants are all dead. Under the inspiration of a daily press, which, whatever its faults, is certainly very much alive, we are rather disposed to conclude that the only real and living things are official corruption, private scandals, betrayal of trusts, suspicions, bitter feuds, and

jealousy. That real conviction and enthusiasm, devotion and self sacrifice survive, outside of fugitive and individual instances, does not readily occur to any of us.

The great motive power of modern life, nevertheless, is really made up of these very forces. Their aim now is not glory, nor the triumph of any particular theory about the hereafter, nor money, as we are taught to think, nor power, as we easily believe. The contest is not to find a new world beyond the Atlantic, nor to convert the heathen, at least not the old-fashioned type of heathen.

Deeper than any of these dreams and ambitions, in the colossal enterprises of our day, lies the enthusiastic conviction that through modern methods and by the hands of the giants who wield them, we are surely passing up into a juster and a sweeter life.

In the thick of these plans and ambitions and struggles, all of which seek in some form to conserve and advance human life, is life insurance. Above every other form of business it awakens the fighting impulse in the soul of the true believer. It is a conviction first and then a business. This explains why with all its modernity life insurance so strongly suggests the atmosphere of an earlier time. The missionary spirit runs through every line of its vigorous literature. The preacher takes his text with the opening of every rate-book. The crusader survives in every great agency leader who marshals his forces against the citadels of indifference and ignorance. And at the same time, and just as unmistakably, the spirit of orderly government, of peace, of industry, of integrity, and of world-wide trade guides every finance committee.

While it would seem that life insurance, and especially American life insurance, must from its very constitution preach, must organize crusades, yet we find that it does so variously. Some companies preach almost not at all, indeed one or two employ no preachers and take

much satisfaction therein. Others preach only to their immediate neighbors and never venture into fields on which shines a different sun or in which a strange speech is used. Still others find no limit to the extent of that weakness or incompleteness in human life and society with which life insurance deals; they stop at no parallel of latitude or longitude. The cry for help which life insurance seeks to answer does not cease at state borders nor with the lines that delimit nations; it finds a way to express its need in every tongue and invariably asks for the same relief. The cry comes up from all the earth. It is a call that touches the heart and inflames the imagination. It offers not a golden reward for a short cut to India, but the immeasurable riches that belong to all those who have added something to the sum of human comfort. It comes too from all sorts and conditions of men; not alone from the sound and strong; but from millions who have their full measure of responsibility with less than a full measure of health and strength.

American life insurance has struggled mightily to answer these calls for help. The attempt has been splendid, the results glorious; although the attempt is not without critics, and the results are sometimes maliciously misstated and misconstrued. The answer to this call of society has been attempted in no spirit of adventure, with no desire for conquest; but seriously, soberly. If Energy has been at our right hand, Responsibility has walked hard by.

Let us consider what life insurance proposes to do; how it does it; what its moral responsibility is. We may thus be able better to understand the vigor and furious energy that characterizes the American life insurance man.

Life insurance is, first of all, based on good morality, not simply abstract morality, or individual morality, but mo-

rality as a question of statesmanship, as a matter of practical administration in human affairs. From the moment when the soliciting agent opens his rate-book until the hour when the contract, made through his instrumentality, ceases to exist, life insurance fixes for itself the very highest standard of moral as well as legal responsibility. It presents itself as a haven, a city of refuge, a vast, half impersonal organization which professes to lift the individual somewhat out of the current hazards of existence, and offers to solve some of the pressing and cruel problems of fate. It is not an overstatement to say that, primarily, life insurance approaches the individual much as the confessional does. It asks the public to come, to give over into its keeping, almost without question, not only hopes, and plans, and responsibilities, but money. In this civilization, money has come to mean almost life itself. It means the product of daily toil, labor with the hands or brains. In an age when there is less and less belief, in a definite way, in the overshadowing care of Providence, and more and more conviction that a man must take care of himself and his own, money, that the poets sneer at and that the philosophers rail at, has come to be not only a center of power, but in the hands of modern co-operation almost the center of moral as well as material power. Then, adding an element of mystery as well as morality, life insurance agrees to do for those who pay over their money into its keeping, things which no man alone can do for himself.

In order to carry out a pledge which when made seemed almost to assume the possession of more than human power, life insurance adopts methods which are neither mysterious, nor magical, nor unknowable, but entirely material and purely human. It necessarily plunges at once into the very center of modern activity and modern life. Its primary promise, while seemingly very wonderful, is simple enough, but before that promise

is made good, life insurance has to touch and handle and know and master business and law and medicine and the most abstract reaches of the most exact of the exact sciences; it must know and be able to measure habitat and occupation and all the forces and facts that influence life, since life is its problem.

The moral responsibility of life insurance, considering what it takes from the people and what it teaches them to expect, comes very close to something superhuman in its quality. The material responsibility of life insurance is so built into the very fabric of all commercial faith that even a suspicion of its soundness cannot be tolerated.

We have then in this business as we interpret and practice it, an unprecedented combination of the moral and the material, of conviction and reason, of preaching and mathematics, of the zeal of the fanatic and the dispassion of a business contract. We have the interest of the unit and the interest of the million, the need of a village and the hopes of a nation.

The men who gave American life insurance its great primary impulse, the men who have led in its superb later development, comprehended early the quality of its moral responsibility, the possibilities of its business ramifications, and especially the service it is calculated to render to men. Small wonder that all these have had the spirit of the crusader.

Life insurance was altogether calculated to appeal powerfully to the genius of our people. Nowhere else in the world has all that is involved in this semi-religious and semi-business plan been so comprehended as in the United States of America; nowhere else has it so reached the consciences of men; nowhere else has it touched the moral instinct, the nerve that leads to conviction and to action as here; nowhere else has sprung up an army of men full of this militant spirit, full of that flaming belief

in a mission, which has never been satisfied until it has crossed the sea; and this our business has already done and in a new world found within the old world, and in a new way, and for a new purpose, is doing the very things that were done by our forebears hundreds of years ago, operating under an identical impulse.

We have not shut our ears to the cry of all except our own or a part of our own people. We have believed that people on the Gulf of Mexico and in Texas not only needed life insurance as badly as the people in New England, but were as legitimately entitled to it. We have believed the same of Mexico and Canada, of France and Russia. We have adopted with a new fervor and significance the old proverb: "Nothing human is foreign to us."

That this should be our attitude is not strange. We have a composite blood, and in it ready for action and seeking opportunity is something which is the legitimate offspring of those explorers and adventurers and lovers of humanity who found the continent and built the nation. The line of descent is unbroken. It goes back to Cabot and Cartier and Drake and Columbus, even to the Vikings. It definitely reasserted itself in 1783 when the Colonies took the Ohio Valley from the quarreling nations of Europe; it was again in evidence in 1803 when Louisiana was purchased; it explains that restless and not always too just spirit which finally swept over the continent to the Pacific; it purchased Alaska, and acquired the Philippines; it will construct the Isthmian Canal; indeed, the Monroe Doctrine itself is only a general expression of the same instinct.

A few weeks ago I stood in an old church in Brittany and read an inscription on a tablet let into the floor before the great altar. It commemorated the fact that almost four hundred years ago, Jacques Cartier had knelt there to receive the blessing of the Church before sailing

on the voyage which added the St. Lawrence to the dominions of France and opened up a new empire to Christianity and civilization. I then remembered that from near that same old, walled city had also come La Salle, Marquette and Champlain, and my thoughts went quickly over what these names mean in the story of the conquest of the Ohio, the Mississippi, and that vast country to the north. I tried to understand the point of view of these men, to comprehend their zeal for king and church, to appreciate more fully the ecstasy that swept them not merely out of obscurity into immortality, but into that current of human feeling which knows no race or country, but labors consciously for mankind as a whole and dreams of its apotheosis.

The situation gave me a new comprehension of the view and purpose of our business. I was on a voyage of discovery. I represented a phase of modern business which is so shot through with moral ecstasy that it has turned back upon the path of humanity, and full of zeal, energy, and profound human sympathy, has taken this plan for the redemption of human life, not merely to Brittany but all over Europe and to all the civilized world.

American life insurance has made voyages of discovery,—voyages scientific, voyages geographic. It has gone to foreign lands and faced and fought the prejudice of race and that international fear which is too often the hope of statesmen and the prop of kings. It has gone carefully and surely out into that *terra incognita* called sub-standard lives, and with skill as well as courage has brought under its beneficent rule a world as new and as savage as America was four centuries ago.

It is the fashion, I know in these days, to decry the great extent of American life insurance, to point to its size and success as in some way a menace and a danger.

As a matter of fact, life insurance has barely kept pace with other branches of modern business; it is not singular in its enormous development.

Let me give you some instructive comparisons:

The assets of the life companies reporting to New York State doubled between the close of 1896 and the close of 1904. They sprang from $1,228,000,000 to $2,454,000,000. Insurance in force went from $5,000,000,000 to $10,000,000,000.

At the close of the Spanish War, the total national bank circulation was $240,000,000, in seven years this has expanded 110%. In the same time, the resources of national banks have increased from $4,000,000,000 to $7,300,000,000. The resources of other banks increased from $4,500,000,000 to $9,000,000,000; while the cash holdings of all banks increased during that time $570,000,000.

In the eight years from 1896 to 1904:

Dividends by railroads went from $81,000,000 to $190,000,000.

Earnings of national banks went from $50,000,000 to $113,000,000 annually.

The annual transactions of the New York Clearing-House increased from $29,000,000,000 to $60,000,000,000.

Exports of mining products doubled.

The revenues of the United States increased over 60%.

Immigration increased over 150%.

We have lived in a world and a time of enormous opportunity and intense activity.

In every business and profession there have been men oblivious to all this. They have not seen the opportunity, they misunderstand and fear the enthusiastic energy of others. Few of them ever carried a rate-book; none ever felt in any profession or business the moral quickening which makes the true life insurance man and the twentieth century citizen.

Some cry out against the expanding power of our country. Some see in our increasing manufactures, in our increasing exports, in our internal commerce which surpasses the trade of all Europe, a menace and a danger. Some join the insane cry against corporations and the spirit of co-operation which tends to move men in great masses. Some life insurance men cry out against life insurance if it isn't done in their way.

I chose my theme to-day with a purpose. It seemed to me quite time that something should be said as against the insane chatter of the hour. I am not a member of this Association, nor of any of its constituent organizations. It is possible, therefore, for me to say what a member might not be willing or able to say.

Through a series of events, which I do not need to recite here, militant American life insurance and its management are now on trial.

Men have been shocked and justly alarmed by the conditions developed in a vigorous, successful and representative American company.

I do not apologize for anything done nor defend any person involved when I say that there is no more reason to conclude that life insurance is unsound because of these revelations, than there was to conclude that all the national banks were rotten because a Milwaukee bank was lately looted by its President. This and all such incidents will pass. They are a part of the history of human weakness. Life insurance has deadlier enemies,—deadlier because under cover, because lodged in our own household.

Our worst enemies are,— that type of life insurance man and that type of life insurance company, which have utterly failed to be seized with this conviction, this ecstasy, this moral force which invariably takes possession of the man who properly comprehends what life insurance is, and generally actuates the management of

a company when that management is abreast of modern opportunity and comprehends what life insurance really means.

This moral failure finds its perfect fruition in a certain style of agent not infrequently found in the service of reputable and useful and successful companies. Sometimes we can trace his shameless methods close to the Home Office, but almost no office is willing openly to admit fellowship with him.

I do not mean the common plunger who takes honest policies and lies about them. He is bad enough. But he really does only a sentimental damage. He may disappoint some man to whose avarice he has appealed, leading him to expect an advantage over some one else. He offends in selling dishonestly an honest article. He makes a scandal and injures the business, but he really does no definite, direct wrong. I don't mean that sort.

I mean that parasite, that pirate, that man whose victim is the citizen already honestly insured by some hard-working agent. The uninsured world does not attract this style of agent; the real purpose of life insurance is beyond his comprehension. He can work only by destruction. Having located a man already insured, he opens his campaign. He begins generally with a letter. The letter is cunningly drafted to express great solicitude for the man's welfare. If an interview is had, you know what follows. By lying ratios, by innuendo, by scandalous suggestion, he tears in pieces that man's faith in life insurance. Out of the wreck he may emerge with a policy in his own company and he may not. But he has committed the act of Tarquin. He has debauched the business.

Such enemies do not pass. They are not a part of the history of human weakness. They have written many pages in the story of human malice and human littleness. They

correct nothing; they purify nothing; they create nothing. They are copperheads, sure sooner or later to be crushed under the heel of advancing society.

Management without moral ecstasy, without desire to preach, with no fighting impulse, does not always breed and harbor this venomous type; sometimes it produces what may be called the ecstasy of littleness, the serenity of unconscious failure.

Let me illustrate:

There is an excellent old company in London. It has been doing business for a hundred and fifty years. It has dwelt at the very center of opportunity. It is not only in London, but in the heart of London. It is eminently respectable, and always referred to by the enemies I have in mind, as an example of what a life insurance company ought to be. It has lived through a century and a-half, and seen the growth of the British Empire during that time. For nearly seventy years it has advanced backwards like a crab. It has managed to get together about $25,000,000 in assets. It has in hand at the end of more than a hundred years less than two-thirds as much, in the interest of the widow and orphan, as any one of three American life insurance companies accumulated in the year 1904. If there is anywhere a more striking example of wasted opportunity, total incapacity, and utter failure to comprehend what its own mission in the world has been, I don't know it. And yet, marvelous picture! this company is so possessed by its own conceit, so totally blind to what it has failed to do, that it not infrequently begs the public to avoid confusing it with an American company of similar name, on the theory that it may lose caste thereby. I stand here to say, that with all the scandals, with all the mistakes, with all the maladministration in the Equitable of New York, almost any single year in the history of that Society has contained more real effort and more real achievement than everything

that has been done by the Equitable of London during its entire existence.

This failure to comprehend opportunity finds its largest expression here, as well as in England, in companies which have either shrunk or grown very slowly during the period since our Civil War. This period has perhaps been richer in opportunities and results, than have any two previous centuries in all human history. Yet such has been the viewpoint of some companies and such has been their management that they have shriveled up as the world grew larger. As they have shrunk they have complained: as they have failed they have cried out against success. The voice of all such is very loud in the land just now.

If the world generally had followed the example of British life insurance during the nineteenth century and the example of a few American companies during the last half century, England would now be a second-rate power; Germany would be made up of impotent, quarreling states; the United States would never have gone west of the Mississippi River; and the Japanese would be using bows and arrows.

In essentials, such as tables of mortality, rates of interest, policy conditions, rates of premium, and returns to the insured, American companies are, after all, very close to each other. They differ most, it seems to me, in what may be called their spirituality. They may be classified under two heads: the militant and the non-militant. The first have gone afield. They have flourished mightily. The three most striking examples of this class have added to the ranks of the insured within ten years 1,000,000 people. What they did in ten years it would take the Equitable of London almost 5,000 years to accomplish at its present rate of growth. Or, to be specific, the New-York Life insured more people—ten to one—in 1904 than this fine, old London company ever had on its books at one time; the New-York

Life insured more people in 1904 than the old Equitable will insure, with its present activity, in six hundred years.

Mind you, I admire the splendid fidelity that distinguishes the history of this ancient company. I commend its integrity and the *quality* of what it has done; but, when attacks are made by such companies in England or at home upon other companies whose fidelity is as fine as theirs but whose ideals are different, one may be pardoned for using the full force of the retort courteous.

My plea is that there is room for all, and need of all.

There is room for those who stay at home and those who cross the sea. There is room for the big company and room for the small company; those who write much and those who write less; those who push and those who wait; those who defer payment of dividends and those who distribute dividends annually. There is need of all because all have a powerful, a common enemy. I do not object to that sharpening of wits and betterment of methods which result from honest competition; all life insurance men welcome that. But, with you, I cry out against the company whose literature is full of slanders, whose words breathe suspicion into the public ear, whose agents raid and rob and rape.

Insurance written by any company represented here is a distinct gain for society. The man who deliberately and wantonly disturbs that business is an enemy of society and a disgrace to us.

What, after all, is real achievement in life insurance? What has life insurance done when it has done well? Isn't the true test of this about the same that we apply to other great movements?

Suppose the Church had said—We mustn't make too many converts; they may not all be exemplary, some may backslide. Until we are sure that the soul we convinced today is thoroughly saved, we will seek no fresh converts. The

greatness of every religion, Christian or non-Christian, is not that it thoroughly saved a few, but that it swept millions into its fold. The glory of medicine is best expressed in the stern condemnation which it visits upon the man who makes a real discovery in medical science and then attempts to sell it, to limit it. The real achievement is not the discovery but the spirit which demands that the discovery be given not to the people of a state or a nation, nor to those who can pay a price, but to all the world.

So the great life insurance company is the company that insures lives. If a company clinging fast to sound doctrine in its finances adds in a single year to the world of the insured 150,000 people, it has done a tremendous thing, it has done the real thing. I care not so much whether the manipulator of ratios figures a few cents more or less for or against it ultimately. It has already passed a higher test. It has passed the highest test. It has sympathetically heard and splendidly answered the cry of humanity.

This is militant life insurance. This is the institution that is under fire. These are the achievements, too, that some who profess the faith most bitterly attack, most maliciously misrepresent.

When the grave difficulties arose in the Equitable, there was no voice of hope from these men. They croaked their satisfaction; they even put out pamphlets headed, "I told you so". They profess to believe in a plan of insurance salvation, but, obviously, their belief is really only in their particular interpretation of that plan. They entirely miss the thing itself. Railing at the men who have erected fully one-half of the magnificent structure which we call American life insurance, damning a great work and suggesting that all was badly done because it was not done on just their plan, they cut as ridiculous a figure as would a descendant of the men who opposed the adoption of the Federal Constitution, if he should take comfort and feel

vindicated because the Civil War came along a hundred years later; they cut as silly a figure as would a descendant of the men who opposed the purchase of Louisiana, if he should express satisfaction and justify those ancestors because at the present time there is yellow fever in New Orleans.

To stand up in opposition to the spirit, and, generally speaking, to the plans of militant American life insurance, has been, and will remain a fruitless task. It is easy to harass it; it is easy to discredit it abroad; it is easy to add to its difficulties. It was easy to incite the Filipinos to shoot our own troops; it is always easy to give succor to the enemy in time of war. These things are easy because the men who do them as a rule take no risks. They sit at home smug and comfortable. They fritter away opportunity as the old Equitable has frittered away a century. Militant life insurance will commit grave errors, too; it will occasionally develop dishonest men; there will be bad management; there will be dishonest management; there will be days of shame and sorrow; but the militant quality of American life insurance is its very soul. It will survive all these mistakes; it will outlast dishonest men; it will expand, if life is to expand; it will grow more useful, and more powerful, as men grow more intelligent; it will finally teach the world, as I believe, that men can be as safely trusted to administer a public benefaction as they can be to administer a public debt; it will show the world that a life insurance premium is a better thing than a tax; that a hard-earned dollar is better used when it goes into a great fund for the benefit of the next generation, than it is when taken from a man to pay the interest on money spent in war.

Militant life insurance is militant America. It already had the world-view of the future in 1898 when the nation awoke to a fuller realization of her manifest destiny. It

belongs to the forces that dream and plan and work. It is one of the Empire Builders of the world. It must and does suffer the criticism that always falls upon men and plans of that sort; it will also have its vindications and its triumphs.

Standing out in advance, on the high points and in the strong light, it must expect to be assailed. It will be feared and hated and misunderstood. All this only emphasizes its responsibility. It must be able to stand in the light. It must be absolutely open and clean in its methods. It must show that great interests can be handled in the daylight. It must meet the striker and the blackmailer with a flood of sunlight. If it slips, as it will occasionally, it must expect no mercy; it will get none.

But the issue is not doubtful. The great Western Republic was in the souls of the men who faced the stormy Atlantic and dared the terrors of a savage continent. No one could forecast its form or name or hour; but its coming was as certain as Destiny.

So the Republic of Man slumbers in that fighting plan of co-operation which American life insurance, as a whole, typifies. No one may forecast its form or name or hour, but it will come because it is written in the stars.

LIFE INSURANCE AND LIFE

DELIVERED BEFORE THE EASTERN $100,000 CLUB (NEW-YORK LIFE INSURANCE COMPANY) AT ATLANTIC CITY, NEW JERSEY, OCTOBER 17, 1903.

IF IT were mathematically possible to organize a company which, for a consideration, would guarantee an indefinite extension of individual life, the success of such an undertaking would be instantaneous. Man's inherent love of life, and instinctive fear of death, would welcome such an enterprise, because it would offer at once salvation and the realization of his fondest hopes.

The millennium which such a project would hold out to the hopes of the world, would, however, be a disappointment if realized in that way, and has, as a matter of fact, already been attained in a better, a broader, a sounder and a more unselfish way.

Dealing, as we do, with life in the mass, we long ago discovered its unending and almost unvarying character; and dealing with it in its units, we have learned that it has, inherently, an immortality more certain than any philosopher's dream, more real than the pronouncements of any creed.

Without claiming to do what our hypothetical company would be chartered to accomplish, life insurance does much more, and does it better. Love of life and fear of death had little to do with creating an organization which has already gone far toward answering their insistent demands. The desire to live is essentially selfish; the fear of death leads almost directly away from the truths which lie in life insurance, and neither has done much to work out its own salvation.

Unselfish courage—courage that looked at the facts of death and life without flinching, and argued to an unprejudiced conclusion, even though that conclusion was destructive of some fondly-cherished hopes,—together with the spur of necessity,—first organized the life insurance idea.

Life insurance has found and utilized an immortality about the reality of which there can be no two opinions. It doesn't directly answer the problems which our mythical corporation would undertake to solve. Its answer is indirect, and to the selfish demands of life it comes in a questionable shape. Still, it is worth while noticing that answers to such questions, with their deliverances, are not usually recognized when they first appear.

It would perhaps be more correct to say that the immortality which dwells in life, the immortality which makes life insurance and civil society possible, is a clear addition to the hopes of the world; it occupies a field untouched by any other conception of the hereafter, and doesn't clash with any prejudice or any hope; it puts a new meaning into the present, and it also gives us a grip on the future. It leaves the man who is not satisfied with its message, undisturbed in his dreams about a new heaven and a new earth.

Life insurance is based on the deathless character of life in the mass, on the power of the individual not only to reproduce its kind, but itself. Until these qualities were

realized, life had little meaning. The tendency of both philosophy and religion was to belittle the Present, and to exalt the mysterious Hereafter.

The revelation which life insurance brings forth does not attack any theory of the Hereafter, but it reverses all existing theories about the present. It exalts life. It emphasizes the vast importance of the present. It clothes the passing hour with a new dignity.

It creates an intense belief in life itself. It is a strange fact that the mass of mankind has never really believed in life. Life has been regarded as a mirage, an unreality, a mere incident in a larger plan, and at best a condition of pain and sorrow. These views still prevail. For example:

The savage doesn't believe in life.

The materialist doesn't believe in life.

The man who holds that chance or caprice rules the Universe doesn't believe in life.

The man who looks on this world as a "vale of tears" doesn't believe in life.

The man who rates the world as an oyster, which, by force or skill, he will open, doesn't believe in life.

No man believes in life as we do, who doesn't see that it is the greatest fact in the Universe; that its duty is now; that its opportunity is here; that in it are the inspiration of revelation, and the joy of immortality itself.

Life is not merely a span of twenty or forty or seventy years. It is not birth, development, education and death,—or rather it is all these and much more.

Life is the commonest and the strangest thing that comes within our knowledge. It is the simplest and the most complex. It is the most familiar, and the least understood. It has been repeated in its units so many billion times, that Bryant is quite within the facts, when he says in "Thanatopsis,"

". . . . . All that tread
The globe are but a handful to the tribes
That slumber in its bosom. . . . ."

Life as we understand and know and deal with it, has the sweep and the majesty of the Mississippi; while without our doctrine and standing as a unit, it has the weakness of a thistledown on the front of a tempest. We teach that even the years of the Psalmist, if attained, mark merely the beginning of life. Possibly from the individual standpoint, these years are the period of its gravest responsibility, but they certainly are only life's inception. Science brings us this message, and life insurance utilizes it. Science teaches us, and we accept it as one of the few things that we really know, that we are what we are to-night because of what our fathers and mothers were, because of what their forebears were, and again theirs, back in an unbroken chain to a past so remote that it is unthinkable. And we know, even more certainly and more surely, that our children are what they are because of what we are, and we know that what they shall be, and what their children shall be, will be determined largely by us, by what we now do and are. We are, therefore, faced with the startling fact that to a very material and real degree, we are masters of the future of the world; masters of generations that reach away before us to a point as distant as we are now distant from the men and women who have sent the line of life down to this point. Having recognized this truth, responsibility thrusts its question upon us, and overwhelms us, because, through its suggestion, we find ourselves clothed with a power which, while it may exalt, somewhat appals us. This power is akin to that which the Hebrew text illumines in those sublime words, "Let there be light." Before the illumination brought by our doctrine of life,

"darkness" indeed "was upon the face of the deep." With it and its stern law of duty, a new world comes into being.

To the man keenly alive to this fearful responsibility and crying for help to meet it, life insurance brings salvation, just as salvation is brought to men in the scheme of every religion that has largely touched the imagination and the souls of the masses of mankind. There is this essential difference, however: In religion, the attainment of Paradise, the entrance within the jasper walls, the right to drink of the waters that flow from the tree of life is an act of grace. In life insurance, salvation is not an act of grace, but an act of duty demanded by responsibility. We verily bind and loose, even as St. Peter was commissioned to do. We bind and loose the next generation and the next. We cripple posterity with diseased bodies, or we equip it with sound habiliments of flesh; we shackle or free the mind; we shrivel or sweeten the soul. And we do it finally and irrevocably, now. After the limit of that unit of life which is our ego, is reached, the work stands, we ourselves stand,—for eternity.

It is demonstrably true that when this ego reaches its limits, we begin a longer and a wider era of existence. But so far as the duty of the hour is concerned, and the task of the day, life has then really passed beyond control. What we do we must do now; what we leave undone we cannot consciously remedy hereafter.

We look at our children and we see our own Hereafter more distinctly than in the pictures of revelation. We are conscious in the beginning that we control that hereafter completely. Then our power begins to weaken and forces awaken that tear the control from us. We are bewildered by this marvel of life that is ours, and not ours. As our mastery of it grows weaker, our own quali-

ties stand out more clearly. Here we did our duty, and its effects shine out like a beacon light. There we failed, and its accusation thunders at us, even though no other ear can hear it.

When the light fails, when the years lengthen, when the outline of things begins to grow dim, and this ego approaches the limit of its conscious being, what can bring such comfort, what can go farther toward satisfying regrets over irretrievable mistakes than the firm grip which life insurance enables us to take, and to keep on that other stage of existence, where we shall certainly abide for more years than our eyes saw here, indeed for more years than we can now even guess?

We believe, therefore, in the reality, in the majesty, in the power, in the beauty and in the awfulness of life. That conviction does not lead us to quarrel with any man's belief, or hope about the Hereafter for himself. We are compelled, however, to cry "woe, woe" upon that man who has his eyes so firmly fixed on what he calls the salvation of his own soul, that he neglects or doesn't recognize the responsibilities which life places upon him now.

We quarrel with no philosophy, we differ with no religion. We bring another revelation; we show the solidarity of life. We push back the horizon to an almost infinite distance;—and it is certain that if all the visions of John of Patmos shall some day become realities to us, they will not be less grateful, because we had while here a firm grasp on the sublimity and the divinity of life itself.

Niagara can run to waste for a million years, it can also be applied to a beneficent civilizing purpose.

Life insurance is a device by which the endless stream of life is harnessed and controlled, by which its aimless

story is made into a revelation, its responsibility discovered, its immeasurable strength utilized.

By means of life insurance we may begin our longer life, our immortality, reasonably equipped, conscious not only of having recognized our responsibility, but of having done our best to meet it.

We may gather into our loins the strength of the ages, and say with an exultation which not even St. Paul surpassed, "O, death, where is thy sting? O, grave, where is thy victory?"

We believe in life insurance because we believe in life.

LIFE INSURANCE AND THE AMERICAN BUSINESS MAN

REMARKS AT THE EIGHTH ANNUAL DINNER OF THE $200,000 CLUB, NEW-YORK LIFE INSURANCE CO., WEST BADEN, INDIANA, SEPTEMBER 21, 1904

IN AN address before the graduates and friends of the University of Vermont, I lately took the ground that the Master of this civilization is the Business Man.

In that view, I stated a new condition. It is true that the man of action has always carried off the great prizes of life, and he probably always will; but the man of action has never, previously, been the business man, or a man at all akin to him. The field of masterly activity has only recently shifted to the peaceful, and gentle and modest realm of business. Hitherto the leader and ruler of civilizations has been the soldier, rarely the scholar, and always the man whose claim to leadership was based primarily on some assumption of superiority. The soldier and the leader by Divine right or by some assumed superiority have, with us, had their day. The scholar has had a period of leadership, will probably have another and a better one, but when the scholar rises now

to the heights of mastership, he does so more by the force of his personality than by his learning. Add to the usual qualities of the scholar, courage, humanity, and an appreciation of real life, and we have the great man of action, the great leader.

Unfortunately, the scholar has not too often gotten far beyond his books. He is likely to become so absorbed in the marvelous world the microscope reveals, or in the witchery of speculative philosophy, or in the wonders of chemistry, or in the miracles of electricity, that he gets away from life, from real human life, from life that labors, and sacrifices, and loves, and dies, every day, every hour, every second. Through such qualities he has greatly benefited humanity, but through these same qualities he has lost the leadership which was once his.

From the standpoint of our profession, the scholar may be called the actuary of our social and civil life. Men have always felt that the scholar should lead, even when he has failed to do so. They have had an instinctive respect for him. They have deferred to him in his professional roles with a reverence that has sometimes approached superstition. The same deference has been given to the actuary in our business. For many years it was believed that he ought to lead, and he was put in the position of leadership; but we have learned that this was even more a mistake than to expect the scholar, as he has hitherto existed, to be a real leader. Experience has taught us that an actuary is, after all, not a superior being, with occult powers and an especial endowment from on High.

The same experience, kindred experiences, have brought us to trust the physician less and less. We have discovered after years of hard work that the apparent omniscience of the actuary and physician is really a robe, which can be stripped off, leaving them just men, with powers, or without them, like other men; and with

a function, but not the most important function to fulfil in the development of life and the growth of a life insurance company.

Whenever the actuary has been made a sort of fetish, set up in a shrine and worshipped, life insurance has languished. In England they still keep up these old superstitions with regard to the actuary, and a majority of English life insurance companies are moribund. We have broken away from such ideas. We honor the actuary, and we use him, but we have melted his crown and broken his scepter. He is just a man in our machine, with great responsibilities and opportunities for usefulness when he has the qualities that belong to Rufus W. Weeks and a few, a very few others like him.

We use and honor the practical physician in the same way, and to him we have opened doors to real usefulness and splendid service; but we melted his crown and broke his scepter some time ago, and we nearly broke his heart when we put capable women at $40 a month to do work which he had long sought to hold as something professional, something that could only be properly done by one of the medical gild drawing large pay. And so the doctor too has come to be just a human being, with large responsibilities and great usefulness, when he is modern enough to appreciate them and brave enough to go forward, like O. H. Rogers and S. O. VanderPoel and a few, a very few others like them.

In the world of affairs, the experience of the scholar has been something like that of the actuary and doctor in life insurance. He has been Priest, Physician, Sage, and Law-Giver. He has done a great work, and will do a greater; but his old-time scepter was broken and his crown was melted because of his tendency to take the adulation of the world seriously; to regard his learning as an end, not a means; to assume a sort of divinely ap-

pointed function. In the rough and tumble of to-day, the scholar gets just what he wins, his degree carries substantially no privilege, and his learning can assume nothing. We have moved forward to a place in the development of the world where we see with clearer vision, and we have discovered that, after all, our supreme object is not Learning but Life. We are not, therefore, primarily seeking for the man who can merely teach us something more; for the man who can produce a new theory of art; or lead us into a new and wonderful world in music; or better organize an army, to guard us, or to conquer a province. We seek the man who can advance the value of human life; who can make it easier, who can make it sweeter; who can banish disease, who can lessen superstition; who can bind into service another power of nature; who can lighten the burdens of those who toil; who can, by wealth or wisdom, add to our comfort and length of days. This is the cry of modern American civilization. In the struggle to answer this cry, life insurance, as we know it, was born; and in the contest that has followed, business, action, life, have arisen superior to learning, and have grasped the commanding position.

The effective scholar now takes his learning as a tool of his trade, not something to sit down and admire. Notwithstanding all this, the scholar is closer to life than ever before, and the actuary is really more necessary to life insurance than ever before, but the relations of things have changed. No practical insurance man will claim that the actuary could have made this giant corporation of ours. If he had been put in the lead at the beginning, we conclude that he would probably have dwarfed both the business and himself; but, under the direction of the man of action, the actuary has come to be a broader, bigger, wiser, and a better man than the type in Europe which still rules the companies. So the old type of

scholar has not done, and could not do the gigantic tasks of modern life; but, it is equally true, that while the scholar has in a sense been dethroned, he is a wiser, sounder, saner, and more useful man than ever before.

This cry of modern life has brought forth the business man, not the mere trader, or merchant, but the man of wide interests, and large outlook, and broad sympathies, and keen vision, and prophetic feeling; the man whose blood leaps at the challenge of problems; who thinks it a greater thing to improve a method in production than to take a city; who would sooner form a corporation or combine a system of railroads than conquer a State. Just here the man of action is really very close to the scholar. No alchemist shut in his dingy workshop, with retort and blow-pipe, ever watched with more eager eye for the miracle which should transform base lead into shining gold. The modern business man is also watching for a miracle. He is harnessing the forces of nature, combining the powers of industry, regulating the forces of society, but his hope is really the hope of the alchemist. The alchemist did not turn lead into gold, but he founded the science of chemistry, and chemistry has made a new and deeper revelation of the wonders of creation than is recorded in that beloved old Book, and has wrought miracles in life that mere gold could not have wrought. So the business man who has put the fruits of the scholar's works to use and enormously lifted the body of civilization, will very likely never see the lead of modern industrial conditions turned into the gold of an ideal human condition; but he has evolved an idea, he has caught a glimpse of a great truth, he has opened a door through which that truth shall come forth. He has introduced the corporation; the corporation has introduced co-operation; co-operation introduced life insurance; and life insurance has sprung from the plans of the man of action as chem-

istry did from the dreams of the alchemist. The greatest of all plans of beneficence, the soundest of all theories of sociology, the truest program for the abolition of poverty, the clearest exponent of true democracy, and of the duties as well as the rights of man, the sanest view of life, the calmest, bravest view of death,—the dream of the scholar and the hope of the philosopher, these are to-day merely definitions and descriptions of life insurance.

Life insurance was not the product of the study. It sprang from that sharp necessity which taught our forefathers how to snare their food. Its original springs well up hard by the strongest instincts of the human heart.

Life insurance and the business man have come up together and are a product of the same conditions. These conditions are the soundest, sanest, sweetest, that have yet existed, and this old world is not only better because of both, but half of all its glorious promise is wrapped up in them. The prominence of the modern business man and life insurance marks, in a way, the passing of the professions; in another, and a truer sense, it involves their advancement to a higher sphere of usefulness.

That the business man rules is not because the lawyer is smaller than he was before, but the business man has sprung to a truer and larger stature. Under the rule and guidance of the business man, the lawyer to-day is profounder, and more really and truly useful than ever before. Modern business—and in no phase of it so markedly as in life insurance,—uses the lawyer as a necessary part of a clearly defined plan. His function is no longer to meet the accidents and disasters of life, and spell justice out of what is normally chaos. Modern business and life insurance sends him out to do definite things; equips him as an army is equipped, in advance, to guard and protect the interests, which are, in these days especially, open to attack.

Modern business,—and in no part more than in life insurance,—uses the physician as a part of a fixed program; it places him in a plan that is moving intelligently and definitely towards a specific purpose. In these relations, the physician no longer makes his career and his fortune after the calamity has happened and because of ignorance and cruelty and superstition. He aggressively attacks all these things, takes the offensive against these enemies of mankind. The life insurance corporation sends him over the frontier of the known and pushes back the borders of the unknown. In these relations, the physician does not attempt the problems which affect human life merely because of a taste that leads him that way, because of a dream or ambition—although that incentive is not lessened—but because a great corporation with a definite purpose sends him against the problems, equipped as no individual himself could ever be equipped.

Modern business again,—and in no part of it more than in life insurance,—advances morality, responsibility, probity, good citizenship, commercial integrity, and that good faith which is the basis of all civilization; not haphazard, but on lines of a definitely laid out campaign; and in that part of religion which lies this side the supernatural, no agent is so potent in the advancement of humankind as the life insurance agent.

I have said that the modern man of action is the business man, and I now add that this type promises to reach its fullest, its finest condition in that form of business to which we are devoted. A little consideration, I think, will show that this is a natural conclusion.

Here is the rarest grouping of theories and conditions that have hitherto induced men to labor or study. Within our profession are law, medicine, diplomacy, finance—including banking and exchange,—currency, investments, real estate, and loans. Ours is a country whose boundaries

not only ignore professional, national and racial divisions, but they run parallel with that frontier which divides life and death. We organize armies to fight, but not against other men. We use the law, but always to do justice. Our theory of equity is so high that we are in constant danger of attacks from the statute law and the judges who apply it. About the only injustice that results to-day from an up-to-date life insurance contract follows the action of small-minded judges, who make narrow applications of principles in special cases, in order at the moment to defeat a corporation. As a result we are frequently compelled to modify our policies and change our practices, not in the direction of greater liberality.

We use practical science, not to sustain any preconceived theories, or support any fiction of professional courtesy or prerogative. We bring that science and art directly, and practically, and aggressively, into the service of humankind. We wholly eliminate from the situation the personal factor, that tinge of superstition, that assumption of superiority that has always marred the work of the lawyer and the doctor when laboring from a personal motive.

We include business, not for private gain, not to heap up great individual fortunes, but for the general good, for the welfare of millions; and, in this, our incentive is as keen as that which drives men to accumulate millions for themselves. We exercise all the powers that go with ownership of millions, with a touch of responsibility that does not attach to private ownership, and as a part of a programme which teaches how by co-operation to insure an abundance of the things of this world. Through life insurance, as against individual accumulations, we lay up, literally, treasure where moth and rust do not corrupt, and where thieves only rarely break through and steal.

All these things, however, express only what we are; they but faintly indicate that we possess qualities of

another and a higher order. Weighed and measured by the world's estimate of corporations generally, we are rather proud of ourselves; we glory in our strength; we are not unimpressed with our achievements. We are amongst the largest employers of labor. We are the largest investors in the world, and have a stake in universal peace and in the reign of law that is not equaled by any of the Nations. We are militant as well as peaceful. We are, in the energy of our organization, a survival of that fierce devotion which made the early Christians baptize whole tribes by force. We are, in short, a huge fighting machine.

But the true life insurance man understands that these are, after all, only the prologue, the introduction to another act in the tragedy, comedy and history of life,—and there we shall take on our true character, and play our real part. Then we shall understand, as some of us do not now, that life insurance, while essentially a business, is more than a business in several particulars:

Life insurance is more than a business in the material with which it deals. Its material is finer than the material dealt in by any corporate body not doing a similar business.

All great, creative, business enterprises deal with some sort of material, if you will,—and then they turn out a product. So do we. For example, the Steel Corporation deals with iron ore and pig-iron, and turns out an almost endless variety of products. The copper companies do the same thing,—the gold and silver mining companies also, and the great network of railroads, in effect. These enterprises strike the note of the age, and the business man, through wise and statesmanlike management of them, has come to be dominant. But iron ore and pig-iron, the raw material of the Steel Corporation, certainly are not be compared to men, our raw material. Neither are steel products to be compared with our finished product.

Dealing with such material, life insurance presents a

structure more certain, more unvarying, and more powerful than the body of any other human enterprise; surpassing in its inherent strength anything of which we now know, and probably anything of which we can conceive. All great industries exist to meet some demand of life. These demands vary,—they shift,—they change. Industries frequently stand on a very insecure foundation. However great they become, their tenure of life is uncertain. The entire equipment of vast enterprises is sometimes relegated to the scrap-heap in a night. For example, at the present hour who can tell how much of a menace wireless telegraphy may become to the established system, with its millions of invested capital? Who can tell what the result shall be of the conflict now on between electricity and steam? In all these questions life insurance has a direct and immediate interest. We have the interest of the business man because we are constant buyers of securities; but our interest is not that of the corporation which represents the industry on which the security stands. It is much wider, because it comprehends the entire field of human industry.

Primarily, we deal with human life, something that does not shift, or vary, or change, except to become constantly more valuable and more powerful. Human life has passed beyond the point where it will fluctuate as it formerly did, while maintaining an unequal contest, now with the great ice-cap, now with wild beasts, and now with itself. Whatever war may hereafter threaten and whatever destruction it may actually achieve, it will never again be able to make any very important recession in the vitality of the world.

This cry of modern civilization is being answered in very tangible form,—not in more learning as such, not through the exercise of miraculous or occult powers, but through the evolution of a new man, through better homes, better food, better hygiene, better schools,—through labor-

saving machinery and the consciousness of power that comes to every man when his self-respect springs up full-armed. I do not deny learning its part in this; but the mighty hand through it all, the hand that has led even learning out of some dark places, has been the hand of the fearless business man. Advancing a step farther, coming on to that phase of human development when this cry of human life is to be more fully answered, when the dream of the alchemist is to reach its unexpected and marvelous fruition, we reach the frontier of that period when the business man will pass into his second and finer period of development. Already you can see the coming change. It involves not only the dominance of beneficent theories, but necessarily the development of powers that the world generally scarcely dreams of.

Let me express it by a figure of speech:

The insured are the coral workers in the sea of life. They are silently creating a vast continent, just below the froth of the dashing waves, and the howling tempests of the industrial and financial world.

The real power of the sea is not on the surface; it is underneath. In that quiet world tiny animals co-operate, take minute particles from their surrounding world, and little by little construct the floor of a new hemisphere against which all the waves of all the tempests that blow shall finally beat in vain. In life we see the great events only in industry, in business; we see this wonderful development and that; this great success, that great failure; this great fortune, that great invention; and all seem wonderful and colossal. The seeming is reality, too. But the world is beginning to catch a new note in this toil and turmoil. We are beginning to feel the lift of the floor of this new continent which the toilers have silently laid. Through the handful of people who have adopted our great device, the voice of humanity begins to speak, and the

tremendous structure which has been erected, just below the stress and strain and gain and loss of business, begins to show itself, and like the continent built by the tiny animals beneath the sea, it will rise superior to all the storms that assail it.

The leader of this age is the business man. He has introduced the idea of co-operation, while practicing a programme which is based on competition. The wickedness of his own programme compelled him to recognize a better one; but his efforts toward co-operation are, after all, more or less futile, and he has at best only prepared the way for the coming of the better era which we represent. The field has already overwhelmed him; just as the grain fields of the West made it necessary that somebody should invent the modern reaper. A sickle could gather grain, but it could not gather the harvests of the West. The business man, with his corporations, could develop the idea of co-operation, but he cannot satisfy it, and he cannot take care of the harvest. Life insurance is the one device that is equal to the situation. It seeks a material equivalent not merely for the unit of life, the individual, but for life itself—life running through the ages, life the mysterious, the awful, the endless. Business has not yet solved the individual problem. It is not likely to do even that. Life insurance has solved the individual problem, and it alone can reach the larger problems: this is its real mission. It will bring in the era of true co-operation which, in morals as well as in business, will be as superior to the age of competition as the age of competition was superior to savagery.

OUR SECOND GREAT ENEMY

DELIVERED IN JANUARY, 1905, BEFORE THE AGENCY DIRECTORS (NEW-YORK LIFE INSURANCE COMPANY) AT LAKEWOOD, N. J.; ALSO BEFORE CONVENTIONS IN CHICAGO AND ST. LOUIS

THE first great enemy of life insurance was man's inability or unwillingness to appreciate and meet his personal responsibility. This enemy we have measurably vanquished; the swelling totals of life insurance and the facts set forth in our last annual statement show this conclusively.

The second great enemy of life insurance is, however, a foe of a different sort. Bluntly put, this enemy is the instinctive fear which men seem to have of vast accumulations of wealth. I want to consider for a few moments what there is in life insurance as we practice it which has brought us to the point where conflict with this enemy arises, and what there is in the history of mankind that makes this conflict natural and inevitable.

We love to dwell upon the fact, and it is a fact, that we have not only brought forth here in the United States

a new nation, but have added something to the desirability of human life. It does not stir us so much to review the great deeds recorded in our history as it does to repeat with unending pride that this is a free country; and it is a free country, in spite of the things that make us ashamed,—in spite of what we call greed for money, in spite of municipal corruption, in spite of the tyranny of trusts and labor unions,—it is a free country. That freedom, however, is to us more impressive for what it promises to be and to do than for what it has done. Every impulse of this Nation makes it look forward. Nothing has yet been achieved that we do not expect to surpass. It was a great thing to create the Nation; it was a greater thing to keep it free. It was a wonderful thing to conquer the West, and to bind the distant parts of the country together with bands of steel, but it was a surer evidence of inherent soundness and future greatness that, at a tremendous crisis in our history, the intuitions and the judgment of the people selected Abraham Lincoln as President of the United States. The spectacle presented by Pittsburgh, with all that it is and all that it promises, is impressive, but it is not so impressive as the story of the poor immigrant who here became a captain of industry, a master of finance, a great leader in public thought.

The American Nation is the rich gift of all the peoples of the earth. By an intuition which delved deeper than philosophy can go, the world early recognized the opportunity presented here, and with conviction and hope took quick and definite action. States have been conquered, sold, bartered, and given away, they have voluntarily yielded sovereignty, but in all the story of the world there is no parallel to that glorious procession of commonwealths which freely and voluntarily began marching into the Union in 1791, and the end is not yet. This created and has put upon us a peculiar obligation. We have the

usual obligations of nationality, but we owe something above and beyond that: we owe something to the instincts of humanity, something that calls us back to every nook and corner of the earth, something that ignores the limits set by color or race or geographical boundaries, something that we cannot pay in our capacity as a nation. The people came to us bringing the very vitals of free government. They brought strong bodies, and clean hands, and lofty aspirations, and love of liberty. They consciously and specifically sought a land of opportunity, an asylum for the oppressed, a people free, and possibly some day mighty. For this, as a nation, we owe a shining example of good order, and sane government, and free institutions, and justice. All these obligations we may fairly claim to have decently paid; but this does not express all of our debt. Our forebears unconsciously created a wider obligation, and we unconsciously have begun to pay it. We have begun to pay it through life insurance, the only programme whose theory is high enough and whose base is broad enough to comprehend the height and breadth and fineness of this peculiar debt which we owe to all the peoples of the world.

Life insurance deals with something that is as fundamental and as necessary to any proper development of the race as air and light and water. Through an organization that is world wide, we carry everywhere the truth that in the struggle for existence—a struggle that in some form has been going on since the beginning—life can be so organized and marshaled against its foes that the essentials of existence become as reasonably certain as a place to stand and air to breathe. This is, perhaps, our first contribution toward the liquidation of our obligation. We, ourselves, hardly comprehend what the full recognition of that principle means, just as the pioneers who landed at Jamestown had no premonition of what was to

follow, just as the band on the Mayflower, and the handful of men who captured Vincennes, and the men who discovered Oregon, and those who purchased Louisiana, prophets all of them, had no real conception of the relation of these acts to the future. While we may not comprehend all that this idea will ultimately achieve we rejoice in some of the splendid things it has already helped us to do. For example: We are beginning to retrace the painful steps taken by the immigrant, we literally take back the bread cast upon the waters. For nationality which they gave us we give internationality; for free government which they brought us we show how men may be free from anxiety, from poverty, and measurably free from disease. To the rule of the people we add by discovery and application the law that governs life, the law that will carry the fruits of our labors on for the benefit of coming generations as certainly as nature puts our blood and bone into those whom we beget. To freedom from the fear of tyrants we add freedom from the fear of death.

In making this beginning, however, on a scale large enough to comprehend in some sense our obligation to all the world, we have already erected what seems a stupendous structure, and that has brought us face to face with this new enemy. What gave birth to this enemy let us consider for a moment.

The kings of old are dead, but the king still lives. The king now is the man who controls in some measure the material wealth of this modern world. It is the fashion to sneer at material wealth, and we are apt to quote the good old text which says that love of money is the root of all evil. On the contrary, money, or wealth, is the very substance of civilization, and the very essence of virtue. It means comfort, freedom, health, leisure,—if not all, certainly most of the things that make life worth while.

People may fear it, but they fight for it, and why shouldn't they? They fear it because as yet they recognize no general plan under which their rights may be protected, as the plan of the ballot protects their civil rights.

Out of this fear of wealth comes our second great enemy. We cannot properly repay our obligation to the world, we cannot go on developing life insurance, without overcoming this enemy as completely as we overcame our earlier foe. This last foe faces all modern life. It confronts every great corporation. Attempts are everywhere being made to overcome it; laws are being passed for the regulation of wealth; other laws will be passed; courts are busy; statesmen are busy; politicians are very busy;—but out of all the toil and turmoil comes more confusion than justice and no adequate solution. Indeed, I am inclined to think that no proper expression of this phase of human rights can be had in mere form of law. The regulation of corporations is necessary, and, within the limitations set by natural law, the President of the United States is correct in demanding the enforcement of such statutes as we have written and the enactment of others if necessary. But most legislation had, and most of that proposed, is based on mistaken ideas. Few laws existing for this purpose are anything but negative or essentially destructive. They control by destroying. They stifle and hinder. They aim to nullify great natural laws. They are based on fear, or jealousy, or political ambition. They are written in the spirit that springs naturally out of centuries of destruction and loss. The law makers need enlightening quite as much as the corporations need controlling.

We approach the problem from quite a different standpoint. Let us consider how we shall overcome the enemy.

Men asserted their civil rights, as against the king and against the power which he exercised, through the

ballot. Men will assert their rights in the material world as against the misuse of material wealth which is, happily, so enormously increasing, through the principle of co-operation, and the instrument of co-operation and control will largely be a policy of life insurance in a mutual company. This implement is as much superior to the ballot as the civilization of wealth will be superior to the civilization of politics.

All good laws are said to be revelations. This law of life insurance is a revelation: A revelation not merely on its purely protective side, but a revelation in the power of control which it is coming to exercise over wealth and the dangers that go with its irresponsible possession. The ballot after all frequently met blow with blow; in order to reform it had to destroy. Life insurance preserves men's rights without destroying anything, and its achievements are so high and so fine that it may be defined in this wise: "life insurance is wealth created by the mass, but distributed and controlled in the interest of the individual under a program more rational and more equitable than can be expressed in law or worked out in government." The ballot is illogical even in its own field. It never much reckoned ability, or virtue, or responsibility, or property. The principle which underlies life insurance, however, gives even-handed justice. It grants just what is deserved, takes nothing away. If it doesn't put a conscience into wealth, it takes the cruelty and the greed out of it. We stand, therefore, after a fashion, at the point where some of the most important processes of the world seem about to change. Men are moving out and we are leading them out of their earlier period of perpetual self-destruction. We are asking men to turn their eyes away from certain horrible processes, with which they have become familiar and which they no longer much fear, to consider other processes that are peaceful and

beautiful, and which, strange to say, they seem instinctively to dread.

Let me, if I can, emphasize the contrast between what men always have done, and what we hope they will come to do.

The most pitiful and wonderful thing in all history is what one writer has called the "martyrdom of man". This is a short way of saying that man has always paid a fearful price for whatever he has learned or whatever he has gained, a price not apparently called for by nature but by the evil passions of the human heart; and, as a result, the history of the world is the history of its wars. The history of the world is a history of slaughter, of life squandered and wasted; and in this particular we have been as guilty as almost any nation that ever existed. Our Civil War, statisticians tell us, in men and money, counting both sides and reckoning the ultimate cost, represents the frightful total of eleven billion dollars. Yet such is the capacity of life that in forty years this waste has been substantially recovered. It all transpired within the life of our Company, and it represents a cruel waste of value five times our outstanding insurance and twenty-seven times the money we have assembled during a much longer period. Few people ever worried much about the ability of this Nation to pay this debt. Many people are worried about the size of the New-York Life.

Again, and to use an illustration that is a little nearer to our time. Russia announces that she will spend eight hundred million dollars during the next ten years for a new fleet. When she abandoned Dalny the other day, she blew up works that cost one hundred and fifty million dollars. Port Arthur cost to build, and then to destroy, four hundred million dollars. This is a story that has been repeated many times. Men give ungrudgingly and unhesitatingly of their vitality and their wealth in

order to destroy other men in defence of what they call nationality. The cost of the conflicts had in support of this idea is a total that could not be expressed in our science of numbers. No expense, no total seems able to stagger men when called for in this way, but face men with accumulations that are constructive, even moderate accumulations, and they hesitate. Spread before the ordinary citizen, who is familiar with what has happened in Manchuria within twelve months and knows the cost and the waste, and takes it as a matter of course, spread before him the present condition of the New-York Life, and he stands large-eyed with wonder. Without thinking, the average citizen will still load billions of debt on generations unborn, provided the debt is contracted in war or in preparation for war, but show him an exhibit that foreshadows billions of accumulations for the benefit of generations unborn, or represents debt incurred in public improvements, and he grows nervous and doubts its wisdom. The fact is that the world worries less over a billion dollars wasted than over a tenth of that sum saved. It knows, after a fashion, that it costs money to kill a man, but it doesn't worry over the fact. Here is a strange contradiction, and this contradiction which we now have met in the pursuit of our business, in the incidental attempt to pay our obligation to the world, involves the great danger and the problem in the future of life insurance. The reality of this feeling we can test by a little self-examination. Let me illustrate it. Suppose a year ago, for example, Russia and Japan instead of rushing into war had stopped and said, "After all, war is foolish and wicked and savage. If we gain all we seek, or lose all we fear, neither the gain nor the loss can equal the loss to the people once war is entered into; therefore, we will each adopt a different program." And suppose Russia had put aside six hundred million dollars for the benefit of a

million and a-half men; and suppose Japan had set aside four hundred million dollars for the benefit of nine hundred thousand men, and each had agreed that the families of these men, under certain conditions, should be the beneficiaries of these moneys. The world would have laughed; the plans would have been called quixotic; and we would have laughed with the world. But when, instead, the nations called on these men to die and the money was spent on cannon and powder and battleships, the world approved and we joined in the approval.

Or take an example of another sort, closer home. In New York we have just completed a wonderful system of rapid transit, a noble conception boldly executed. It took years to work public opinion up to a point where the plan could be carried through. The public hesitated over the expense. It is now properly rated one of the greatest public works in the history of municipal government. It sets a new mark in urban development. The plant will be serving New York and the nation two hundred years hence. It took four years to build it. It cost thirty-five million dollars. Yet within the last twelve months, there was sent from New York to Japan in cash fifty-five million dollars, all of which went for a destructive purpose; twenty millions more than was spent on the subway in four years. Yet no one thought much about it, no one worried over it, no one objected to it.

Again, we are staggered over the probable cost of that greatest of all public improvements yet undertaken—the Panama Canal. The world has dreamed of this for a hundred years, it has been repeatedly named in treaties between nations, and has been looked forward to as one of the events that would shift the trade relations and the history of the world. It would be so expensive that none but a great and a wealthy nation could build it, yet what the world has hesitated over for a hundred years, the

cost of this canal, has been spent three times over within the last twelve months in the East.

I dwell on these facts because out of them comes our second great enemy. They emphasize the contrast between the destructive view which possesses us all, and the constructive view which is coming. In order to meet this new problem we must properly conceive the wickedness and horror of the old method. We represent an idea which has no part in the old program; it does not harmonize with that article of my insurance faith which hails life insurance as "a new Evangel whose creed is self-respect, whose church is the heart of man".

We have reached the beginning of a period of what seems vast accumulations, and the problems that grow out of it will simply rush upon us within the next few years. These problems must be met, and life insurance will meet and solve them first;—and they are not simple. It will be long before the accumulations of the world, or the debt of the world contracted for a beneficent and peaceful purpose, will anywhere near approach, if indeed they ever do, the totals that were wasted and squandered during the destructive period, and yet the promise of the hour is something prodigious, and the greater the promise the more need of a plan which shall meet this instinctive fear of the people and solve the problem of how accumulated wealth shall be handled. The great source of this accumulated wealth will be that thing with which we deal, human life. It is the mightiest force in the world, when taken in the mass and considered in its continuity. Governments are nothing to it, religions are a matter of yesterday. Its power is greater than that of cannon and battleships and dynamite, even greater than hate. Hitherto it has been misdirected, misapplied; its strength has been squandered and its substance wasted; it has been loaded with debts and drained of vitality. Yet, in spite

of all, it has kept up a slow and certain progress. That it has survived after these years of incalculable waste simply emphasizes the splendors of the years that are to come when this waste is eliminated, when the power of life is applied to construction. Greater, far greater than all powers of destruction is life's power of construction. If this had not been so, man would long ago have perished from the earth. The story of this awful waste does not overwhelm us because it has been "writ in water", we have seen only a bit of it at any one time. Nature heals wounds quickly; one generation remembers little of the generation before; and so the old horror has been repeated and repeated, and humanity has slipped back again and again to toil up painfully once more over a path already many times trod. But in constructive work, the whole story is necessarily always before us. What is destroyed is quickly forgotten, but what is built remains and may not be forgotten. If money is wasted it goes into that form of forgetfulness that we call public debt, but if money is saved it takes definite form and must be reckoned with. If lives are sacrificed by the hundred thousand, well, what of it, they belonged to a previous generation, and we get a glimpse of the loss only when we go to Arlington and see miles of little square headstones, on which there is only a number; but, if lives are spared and added to the productive power of the world, this creates another problem. Let me give one or two concrete illustrations of what I mean: Frenchmen to-day contemplate a public debt of nearly six billion dollars with equanimity. Almost all of that debt was contracted in war; very little of it represents public improvements. That they would be uneasy if such a sum existed as a common possession instead of a common liability is reasonably certain. This feeling would not be as irrational either as it seems when baldly stated. Human nature understands human nature,

and the danger that would lurk in such a mass of wealth as ordinarily administered would be a very real thing. Or again: Suppose the present national debts of the world—amounting to over $37,000,000,000—had been contracted in constructive work instead of in the work of destruction. Suppose that total represented subways and great highways, and public parks, and public buildings, and scientific schools, and hospitals—suppose it had been expended in an attempt to help and lift men up instead of in the composition of a bloody story whose details make us almost ashamed to be men. Can you imagine what the world would be? Can you guess what would have happened while the expenditure was being made? Do you think, under any conditions, people would have voted the expenditures as cheerfully as they voted to waste the money and the lives which this debt now represents?

Your knowledge of human nature tells you at once that if the nations had been called on to appropriate such sums for the purposes I have suggested, they would have halted and hesitated and haggled. They would have been afraid. But why afraid? There's the rub! It certainly would have been a better use of the money; it would have saved and applied to the body of human effort millions of valuable lives, yet men who did not hesitate over this waste would have hesitated over the conditions we have imagined.

But this imaginary world is coming; indeed, in some feeble sense is here now. Not so much because men have ceased to kill each other, as because the creative power of life through invention and learning and through the saving power of life insurance is overtaking its destructive work and promises, before the lapse of many centuries, to overwhelm it.

But the journey will be long and the task is heavy. The enemy that threatens us, threatens every creative

and conservative enterprise. The fear that grips men's hearts is not so irrational, because while they readily forget the story of the past, its lesson rests in their intuitions, and they fear all forms of power in which they cannot see their definite place and a definite public control. It took centuries to overcome the same fear in the establishment of free government. The task is to show the world that wealth is a beneficent and not a dangerous thing; to show that present accumulations by contrast with the waste of the past are so small as to be almost negligible. But this may not be done by any program that fails to recognize the natural and fundamental rights of man in the wealth of the world—as the ballot recognizes his manhood. Ordinary rules of business fall short. Most legislation fails, because it tinkers with externals.

Our program essentially harmonizes with the entire situation. It gives control—control already, in the aggregate, of more accumulated wealth than is gathered behind any other modern idea,—control that is based on mutuality, on responsibility, on a perfection of justice not possible to any other business enterprise. It gives place to the individual, it is based on personal responsibility and self-respect. It carries a message to all the world and pays in kind the obligation which humanity has placed on us. It definitely husbands life—that mighty thing whose mission we guess at, whose power we do not begin to comprehend. It answers the question of this fear. It lays down a plan which, through wealth and great accumulations of wealth, will one day make a story as beautiful as the story of the past is sad.

ADDRESS OF WELCOME

To Members of Diamond Jubilee Convention, New-York Life Insurance Company, May 23, 1905

Members of the Diamond Jubilee Convention:

THE place of an international gathering is usually eloquent of many things. When statesmen met at the Hague recently, we understood that place to have been selected because it is neutral ground, where, under the rules, each man was searched before admission and his gun taken from him and checked.

If an international congress to consider standards of art was to assemble, Paris would be its natural meeting place; if a congress to consider questions of science or philosophy was to be held, there could be no better place than Berlin; London would be the natural gathering point of an international body met to consider questions of commerce; and, if transportation and modern business and industrial methods were to be discussed, New York City would be the inevitable meeting place. There will always be differences of opinion in these matters, of course. For example, Chicago might

dispute with Paris for supremacy in art; and, unquestionably, Indiana would dispute the claims of all other states and cities to supremacy in literature. But there can be no two opinions as to the city and the country in which an international congress of life insurance men should meet. There could be no rival to New York City, and, as there is really only one international life insurance company,—and by that I mean that there is only one Company which is spiritually as well as physically international,—I take it that here and now both the place and the congress are happily met. The place, New York City, the center of that marvelous modern sociological and civic development called life insurance; the Company, the New-York Life, the most successful and puissant and splendid exponent of the life insurance idea.

We are, indeed, in the very seat and citadel of our business. This was the scene of the labors of Frederick S. Winston, and Henry B. Hyde, and William H Beers; and here, or substantially here, live and labor Richard A. McCurdy, and John F. Dryden, and John R. Hegeman; and here live and labor and lead those other men, rulers of our destinies and masters of our affections, George W. Perkins and John A. McCall. With these names life insurance, as a militant force, is inseparably connected. Their fame in the field of our labors will survive even those occasional periods of moral cowardice when safety is sought in ignorance, when ability and experience are disqualifying endowments, when some considerable evils in the management of a highly specialized business are, forsooth, to be corrected by the benign labors of men who, if suddenly put to the test, couldn't tell the difference between a life insurance policy and a bill of fare.

We meet to celebrate, amongst other things, the labors and successes of a long line of distinctively life insurance men. The period of our celebration is nominally sixty

years, but the period of real activity is only forty years, and the period of astonishing achievement is less than fifteen years. The work of this Company during a half generation surpasses literally any fiction fashioned to entrance the imagination of childhood. And amongst those achievements perhaps the greatest is the new lesson we are beginning to teach the world. This lesson—and we are met to celebrate the triumph which this lesson shadows forth—is emphasized by the very hour of our meeting. As we meet, the whole world stands with bated breath listening for that awful crash of forces in the far *East,—a crash which will probably record in a day losses in men and property, losses in ruined prestige, losses through the creation of bitter hatreds and plans for vengeance,—which will reach a total in excess of what this Company will accumulate in the next ten years. While stupendous deeds of destruction, awful waste of life and treasure do not yet much amaze the world, it is disposed to be amazed, and after a fashion alarmed, when for the first time it begins, as it now does, to realize that beneficence can be as splendid as war, that conservatism can be as mighty as ordnance. This new wonder we celebrate, and who may celebrate this lesson more appropriately? We celebrate the labors of men, of a corporation, and of an idea which move directly against the old order and which, therefore, are perpetually encountering new styles of opposition and new elements of danger. We teach the world to transmit something besides bloody debts to coming generations, something better than legacies of hate growing out of the bitterness of war.

We are just now at a point in the history of life insurance when the world hesitates not really because of any mismanagement, or because of any failure, or because of anything wrongfully done, but because the proportions of our empire have become so great that they fear it without

*Battle of Tsu-Shima Straits.

reference to what it is or what it does. Let me cite an historic parallel: That events sometimes force the hands of men is the commonest fact in recorded history. This people was not ready for the purchase of Louisiana one hundred years ago. The opportunity was suddenly thrust upon Robert Livingston and James Monroe, and they had the courage and the faith to accept the challenge. Their act fixed forever the destinies of this continent, and enormously advanced the interests of all mankind. Yet, forebodings of evil were everywhere. The undertaking, it was said, was too huge; it would make the country unwieldy; the original thirteen states would soon lose their predominance; there was no power under the Constitution to govern alien territory; our form of government did not lend itself to such expansion. The prophets of evil (now forgotten) almost outnumbered the people who had courage and faith. This is singularly suggestive of some modern reflections on the growth of life insurance, and especially on the growth of this Company. The hand of society was forced by life insurance, and the act of Livingston and Monroe as between the life insurance companies and the public has been repeated a thousand times. The founders and fashioners of our great American companies were men of kindred fibre, men like Robert Livingston. They saw a vast opportunity where other men saw only the wilderness. They accepted the challenge, and American life insurance now presents to the world achievements as substantial and as glorious and as significant, too, not merely for to-day but for the future, as are the great commonwealths which lie along the valley of the Missouri and to the west of the Mississippi.

We welcome you to the official home of a Company which represents life insurance militant and triumphant. We show you a splendid empire built up within sixty years, indeed made mighty within fifteen years. It was built

in such fashion as no other kingdom ever knew. Its conquests have been distinct and unmistakable, its dominion is clear and unquestioned, but in its conquests there has been no destruction and no waste, there has been no bitterness, and there are few regrets. There is in its government no question of the laws of neutrality or of the balance of power. In some fashion it resembles the kingdom of the church, which is definite and comprehensive, and only occasionally in history has conflicted with civil power.

We have a right to rejoice in the erection of this empire; we have a right to be proud of its extent, its superb organization, its efficiency, and its integrity. All these things we meet to celebrate. We celebrate also that higher and finer thing of which we are not always conscious, but which is inevitable to the logical working out of every purpose of co-operation: the gradual extinction of race hatred and national prejudice, the gradual elimination of the elements that make for war, the gradual spread of that fine intelligence which finally comprehends the brotherhood of man, and aims, instead of creating fortresses and battleships and army corps, to gather the products of human labor into great treasure houses which shall be the fortresses, not of human ambition, but of human hope.

We celebrate a period; we honor men; we pay our tribute to an idea; we re-enforce the enthusiasm of our daily toil by clasping hands across the seas; we look men of strange blood and beliefs in the eye and recognize our brothers.

Gentlemen, you are welcome, all welcome!

HOW STRONG IS THE NEW-YORK LIFE?

AN ADDRESS BEFORE THE DIAMOND JUBILEE CONVENTION OF THE NEW-YORK LIFE INSURANCE COMPANY, ON ITS 60TH ANNIVERSARY, MAY 26, 1905.

THE New-York Life has all the strength that naturally suggests itself when a person surveys its length, and breadth, and height, and depth, as indicated by its Annual Statement. It has another style of strength. It has what may be called an "institutional strength". Our Company is of that type of corporations which may properly be classed as "Institutions", and from that standpoint I wish for a moment to speak.

Institutions are the product of ideas, ideas which become a part of the fabric of life. Institutions are organic. They are growths, and not instant creations. For example, the common law is an institution; the Constitution of England is an institution; trial by jury, the ballot, free speech, a free press, the family, language, government itself,—all of these are institutions. Each was established only after years of struggle; each was the product of an idea.

Life Insurance is an institution. It sprang from an

idea. It may have been helped by written law, but the instances in which it has been injured are so many that it is doubtful whether, upon the whole, it has been helped or injured thereby.

Life Insurance strikes deeper than statutes and reaches farther. It has grown with modern life, and grown most rapidly where life has grown best. It now reaches millions of homes, touches all the great centers of financial faith, and carries in its treasure vaults a peace commission armed with more power than centers at the Hague.

The Company whose splendid development we celebrate is in itself an institution; it answers all the conditions of the most exacting definition; in fact, it is three institutions. Its field force is an institution, its office force is an institution, and its assets are an institution.

How, you ask, are the assets an institution? They are an institution because they are the result of growth, the result of an organic idea, the result of the operations of natural law, the result of a plan which affects civilization and inherently reaches farther into the past and more certainly controls the future than almost any other idea now molding human affairs.

The assets of the New-York Life are like the spreading oak, which grips the earth deeply and silently, while delighting the eye with splendid strength and offering generous protection from the heat of noonday. The oak grows slowly; therein is its strength. Real strength is not a quality of trees that grow quickly. Full grown it is possible to kill the oak almost instantly; it can be cut down, but it is not possible quickly to reproduce it by any process whatever. The assets of this Company are a gigantic oak. They have grown; they were tended and watched and fertilized by the devotion and thought and anxiety and ability of Ogden, and Merchant, and Franklin, and Beers, and Appleton, and Gibbs, and that splendid body of living

men who carry forward the work. Its roots reach every soil of earth; its leaves cast their shade in every land. As well by some magic attempt to reproduce the oak in an hour as by any known process to duplicate these assets. We are apt to think of our securities as something that can be sold to-morrow. Perhaps they could, but that is not a practical question. That they will never be quickly sold is one element of strength not generally recognized. We do not often think of the other view, namely, could they be duplicated to-morrow? Could they be duplicated at all? Could they be duplicated with unlimited money within any reasonable length of time? I maintain that with any resources practically available in this world, no man, for twice the sum represented, could duplicate our assets. There is more than value in the list; there is life, there are lives, there is growth, history, and that rare strength that goes with institutional development. Their splendid proportions are the result of layer on layer of growth, the sixty rings of sixty Annual Statements. They are not merely unrelated things of value, they are coherent parts of a magnificent whole. Their chief strength lies not so much in their ability to meet current obligations as in their example to the world: a solid front of conservatism; their demand for that commercial faith on which all civilization rests; their protest against war and all manner of crimes; their eloquent proof, by the mere fact that they exist, that there are more reasons for peace than for conflict between men. These assets teach that prudence can be as splendid as war; that co-operation can yield a product which touches the imagination as sharply as an army with banners.

With millions, men can quickly create what they call colleges; but, with unlimited millions, they cannot buy traditions and great names and the atmosphere that touches a boy's heart and awakens his soul. Even so, four hundred millions, gathered through sixty years, carry, in every page

that records their acquisition, history and traditions, and deep lessons of faith, the inspiration of great names, and an atmosphere that can by no possibility be instantly produced or indeed reproduced at all.

I have compared the body of assets to the sixty rings in the tree, representing sixty Annual Statements. Let me give you briefly a few facts that will indicate how this growth has taken place, and the process by which we have arrived at what we have. Let us glance over the past ten years. In 1895, the Finance Committee considered $134,000,000 in securities, and out of the offerings selected and purchased $11,000,000; in 1900, they considered $141,000,000, and purchased $25,000,000; in 1903, they considered $394,000,000, and purchased $47,000,000; in 1904, they considered $426,000,000, and purchased $88,000,000. In eleven years, they have considered $2,000,000,000, and have purchased $391,000,000. The transactions of the Committee in 1894 amounted in round numbers to $31,000,000; in 1904 to $140,000,000. But all this activity has been a part of the history of the time and of the hour. Securities have been offered, history in connection with those securities has been made, the Company has bought and put away in its vaults what seemed good. Time has rolled on. The transactions of the Finance Committee from year to year have been like the transactions of a government. They are irrevocable, and are part of what we are and what we are to be. Indeed, their chief effects lie, necessarily, in their influence on the future. They are the encircling rings of the oak. They represent not merely a year's work, but a part of a completed yet constantly growing body which cannot be reversed or changed. Let me give you some different points of view illustrating not only how far the roots of this mighty tree go into the soil of the past, but how superbly its great branches lift up into the sunlight.

Of the bonds owned by the Company on the first of January last, $209,000 (cost value) have been owned since before 1879; $8,700,000 were bought between 1879 and 1884; $16,000,000 between 1884 and 1889; $21,000,000 between 1889 and 1894; $57,000,000 between 1894 and 1899, and $185,000,000 since 1899.

Or again, taking the forward look: Of these same bonds, $21,000,000 are irredeemable; the periods of maturity of $1,000,000 more run from one hundred to five hundred years; the maturity of $51,000,000 comes at points from fifty to one hundred years hence; of $74,000,000 between forty and fifty years hence; of $34,000,000 between thirty and forty years hence; of $35,000,000 between twenty and thirty years hence; of $37,000,000 between ten and twenty years hence; and $36,000,000 mature within the next ten years. Here are more securities maturing between the middle and the end of the century than mature within ten years. The largest group in this arrangement, $74,000,000, finds its maturity nearly two generations in the future. What an object lesson. How these assembled products of affection and labor pierce the shadows and the mysteries of the future and bring assurance and comfort to countless hearts otherwise torn with anxiety. Here is something that lies in the future, and yet is almost as definite and as certain as that which is already within the pages of irrevocable history. Therefore, I say, while we rejoice in the great achievements of the past, let us also grasp something of what lies in the future. Let us better understand that what our forebears did, what we do, is not merely something done and finished. Because we are an Institution, because we have almost wholly to do with the problems of the future, all that has been done and all that we do are a living force, —something done and yet just beginning. We are, in short, an Institution, older than men of full years, and younger than the soul that alighted here yesterday.

THE DRIVING POWER OF LIFE INSURANCE

From the November Number of the "Review of Reviews", New York, 1905.

THE great American life insurance companies have moved with the spirit of the age. They have made mistakes, but they have not trifled. They have sometimes followed bad judgment, but they have worked incessantly. In common with every great organized human enterprise, they have occasionally developed incompetent and dishonest men; but, on the other hand, the extent and quality of their achievements show to the satisfaction of every fair mind that fine integrity, as well as ability of a high order, has controlled and guided them first and last. Upon the whole, they have kept pace with the very best developments of a marvelous age.

The thing to consider in estimating the work of these companies is not chiefly what mistakes they have made, or wherein they have been wrong, although in a life insurance company mistakes and wrongdoing are subjects for more serious consideration than in any other

style of corporation. Still, the real question to consider is, What have the companies really done? Has it been worth while? Has it added something to the sum of human comfort and human advancement? Does it overtop and overwhelm the errors, the bad judgment, which are admitted?

Let us glance at a few of the things that three companies located in New York City have done alone within ten years:

First.—They have induced millions of people, drawn from every race, religion, and nationality, to forget their prejudices and remember their duties. Co-operating under a system of mutual protection and investment, these people have paid in cash into a common fund more than $1,400,000,000.

Second.—They have made their invested funds earn over $377,000,000.

Third.—They have paid claims by death amounting to over $430,000,000.

Fourth.—They have paid other benefits to policyholders amounting to over $365,000,000.

Fifth.—They have paid altogether to the policyholders more than $796,000,000.

Sixth.—They have in ten years increased the number of people insured by over 1,200,000.

Seventh.—They have added to the amount of the insurance protection of the world nearly $2,400,000,000.

Eighth.—They have increased their resources by over $696,000,000, and now hold over $1,244,000,000 for the security and ultimate payment of their contracts.

Ninth.—They have over 2,100,000 living contracts, which will provide their holders, in case of death, with nearly $5,000,000,000.

Tenth.—By their energy and desire to enforce the principle of mutuality, they have reformed the life insur-

ance contracts of the world. The life policy of to-day is as unlike the policy of a few years ago as the machinery of the modern cotton factory is unlike the old spinning-jenny. As the result of this—

Eleventh.—They have increased loans to their policy-holders, which ten years ago amounted to $5,000,000, to over $86,000,000 at the end of 1904.

Twelfth.—Two of the three companies have devised thoroughly scientific methods of insuring sub-standard lives. One of the three within nine years has issued and placed $190,000,000 of insurance on lives more or less impaired, lives on which little, if any, insurance could have been obtained elsewhere. This was as distinct an achievement, as definite an addition to the sum of human helpfulness, as a discovery in medical science or improvements in methods of transportation would be. Only a large company could have done it; only a large company, and the spirit that made it large, would have done it.

Thirteenth.—In spite of all criticism, there is not the slightest doubt in the mind of any intelligent man of their solvency, of the existence of large surpluses, and of their ability to meet obligations greatly in excess of all liabilities.

Fourteenth.—At the present time, they are paying on deferred-dividend contracts, maturing during the lifetime of the insured, from 20 to 100 per cent. more than is guaranteed in the contract itself.

Fifteenth.—The ratio of expenses to premium receipts, notwithstanding an enormously greater new business, was less in 1904 than it was in 1894.

Sixteenth.—The ratio of expenses, taking into account the new business done, is less than that of the smaller companies.

Seventeenth.—Finally, they have handled nearly

$2,000,000,000 in cash with losses through faults of administration so small that it is hardly possible to make a ratio.

These results are large, but they are more wonderful for their quality than for their size. They have been achieved through the methods of ordinary business, by dealings with men in the general world of affairs. These methods are now under fire. The criticisms run along these lines:

We are told that *a company should have no agents.* As well attempt to establish a church without preachers. Few people go directly to a church and ask to be enrolled. Few people will go to a life insurance company and ask membership. The reason is the same in each case. No religion has ever reached and served humanity without organization, without devotees, without the contagious example of enthusiastic advocates. No life insurance company has ever achieved anything worth while without driving its principles home through men—through agents. The attempt has been frequently made to do a life business by intellectual processes merely. The result has always been respectable inanition. There is a sort of Unitarianism in life insurance. There is also a Methodism; and the fire of Roman Catholicism. The great companies are all akin, in their methods, to the aggressive churches. They have followed the same methods, and, in their determination to reach the people, they may even be said at times to have been as undignified and as useful as the Salvation Army.

We are told that *the deferred-dividend plan is vicious.* Yet it has been as effective in propagating this gospel as the doctrine of rewards and punishments has been in spreading Christianity. It has been effective because it meets most perfectly the two functions of good life insurance,—protection for dependents and protection against advancing age. The second is just as legitimate and just as necessary as the first. Under the deferred-dividend plan,

men agree to help one another as against advancing age, just as they agree to help one another, through insurance, as against the contingency of death. Insurance is necessary because no man knows when he will die; he cannot afford to take the risk alone. Just as no man knows who of a group of men will die within twenty years, so no man knows who of a group will live twenty years. All who live beyond that period will have moved a long way toward that part of life where physical and mental weakness begins. Here is a hazard and a weakness as definite as the hazard of death. By co-operation in the use and distribution of surplus payments and earnings and mortality savings,—which is only another way of describing the deferred-dividend system,— men measurably meet this hazard. The system is juster, stronger, more attractive, and more efficient than the system which distributes surplus annually. It appeals to men. It furnishes capital with which to spread the gospel of insurance. It has done more, perhaps, than any other single device to make life insurance the factor it has come to be in the economic development of the world.

We are told that *the business has cost too much.* Generally speaking, it has cost most in the companies that have done least. The test applied by current criticism is to find out what the ratio is between expenses and total income. This ratio is supposed by its size to indicate extravagance or economy. As a matter of fact, there are few tests so inconclusive, few that prove so little as to the wisdom or unwisdom of a company's management. This ratio is certain to be high in any active, successful company, however wisely managed. This arises from the fact that while new business ultimately pays its own acquisition expense and is not a charge on business done in previous years, still the initial expense always exceeds the expense-loading in the first year's premium. Practically

all new business anticipates and uses some portion of the loading of future premiums. The loading is added for that purpose. The portion anticipated is returned as future premiums are paid; but it follows inevitably that a large new business, however soundly done, means that this style of ratio will be high. A company in which this ratio is 25 per cent. may be managed wisely; and another in which this ratio is 18 per cent. may be managed extravagantly; and another in which the ratio is only 10 per cent. may be paying excessive prices for business. The real question is: What does a company get for the money it spends? If a company spends 25 per cent. of its income in a year and gets in return a large, well-selected business, done under reasonable contracts with agents, it has done well, it is growing—growing both in strength and usefulness. If a company spends 18 per cent. of its income annually and gets a very small business, done under extravagant contracts and haphazard management, it has not done well—it is not growing either in strength or usefulness. If a company spends only 10 per cent. of its income annually, that fact alone is almost conclusive proof that it is passing into a condition of inanition and relative uselessness. The little business that such a company does is likely to be done at a heavier cost than the business done by a company with a virile organization. Sound organization generally means economy; success breeds success. A just study of expenses must include a consideration of what expenditure brings. In the great companies, it has brought enormous development, the widest usefulness, the vigor of an almost immeasurable strength, and returns to the insured which with proper allowance for the cost of indemnity surpass the returns realized during the same time on conservative investments. The ratio under discussion is higher here than abroad because of the larger relative volume of business

done here. It is higher now than it was thirty years ago, chiefly because of the greater activities of the companies, their rapid growth and increasing usefulness through the acquisition of new business.

We are told that *premiums are too high.* This indicates a short memory. We are just clear of a period in the development of life insurance full of scandals, losses, and sufferings, caused by attempts to do business with inadequate premiums. Assessment insurance flourished on the cry that the level-premium companies were robbers; but the operation of a law as inexorable as the law of gravitation answered all such charges and shut the doors of all such enterprises. Premium rates are singularly uniform all over the world. They have been arrived at by using both theory and practice. They have not to any extent been fixed by agreement. The surprising fact, as against this criticism, is that rates are lowest where life insurance is most vigorous, where "expenses", so called, are heaviest. The rates of the great American companies are lower than the rates of the English or the German or the French companies. For example, the rate charged for a life policy at age 35 by the New-York Life is $28.11; by the Gotha, of Germany, $29.60; by the Equitable, of London (which employs no agents), $29.92; by the Générale, of France, $30.70. A sufficient premium rate is the very foundation of life insurance. That the great companies have not cut rates in the keen competition for business shows that they have not made such a god of new business as the critics of the hour claim. To reduce premiums would be the first device of weakness, the first resort of irresponsible ambition. With a falling rate of interest, with the adoption of more equitable and liberal policy conditions, premium rates in this country have steadily moved toward a higher level. It would be as fatuous to fix a maximum premium rate by law as it would have been to fix the rela-

tive value of gold and silver by law. France is about to fix a minimum premium rate. She proposes to see that no company makes less than an adequate charge. The new French rates, which are the result of most careful study, will probably be in excess of any corresponding rates used in this country.

We are told that *the companies have gone mad in their desire for mere bigness.* An explanation of the growth of these companies involves more than ambition, more than the impetus of vanity. It involves an appreciation of an unparalleled opportunity and the inspiration that naturally comes from such an outlook. Even Standard Oil cannot be explained without making a large allowance for brains and hard work.

We are told that *the growth of the companies must be limited by law.* If an intelligent supervision and a sound system of accountability, exercised by the State or by the federal government, results in checking the growth of life insurance companies, no one will complain. But if we fix limits which paternally kill, why not paternally say that people shall have only so many hospitals, only so many schools, only so much sunshine? Any plan which aims to kill, and not rationally to regulate, must be in effect a declaration that co-operation, the great hope of the modern world, has broken down utterly in its first trial. It has not broken down, but it may be possible to break it down. The whole matter will adjust itself without paternal interference. It is probable that the top of the curve expressing the growth of the great life companies has already been passed. The margin of insurance added each year over insurance lost from all causes is already growing smaller. With any rational limitation of expenses, this margin will very probably soon be wiped out. This would mean the limit of a company's growth in the matter of outstanding insurance, and would in turn

necessarily fix a limit to the assets. There could be no objection to a limitation achieved in that way.

We are told that *we should have a standard policy form.* Why not paternally legislate that all women should wear dresses of the same color, made after the same pattern? It would be as American and as rational.

We are told that *such great accumulations of money are dangerous.* Public debts vastly in excess of these accumulations do not seem to alarm us. The waste of the last eighteen months in Manchuria surpasses by more than two to one the combined accumulations of the three great companies at the end of sixty years. Is waste, and loss, and debt, then, a better thing than prudence, and savings, and the vast conservative force which these assets represent?

None of these criticisms really express a comprehensive knowledge of what life insurance is, or why these three companies have made such enormous successes. Few of the suggested reforms are of value, because nearly all of them assume that there is something inherently wrong or evil in life insurance itself.

A brief consideration of the fundamental ideas and moving forces which lie back of this development will give us a better view of what life insurance really means.

Life insurance is first of all a conviction. The insurant is almost always a convert. The man who directs a life company with any measure of success is always full of moral as well as physical energy. No man can understand life insurance and believe in it and preach it effectively who does not feel its driving power. The genuine life-insurance man is a descendant of those men who have through all history accomplished something, acting under the force of an impulse which is as much moral as mental.

The idea of life insurance implies, not merely a duty to dependents, but a duty to other men. Life insurance

deals with human life, and human life is the most important fact within the range of human knowledge. All organized society is an attempt, in some form, to advance the condition, to improve the outlook, to husband the power of human life. Governments are human life protecting, guarding, and developing itself. Religions are human life struggling with the problems of origin and end. Philosophies, from the Epicurean to the Spencerian, deal with the same problem.

Life insurance differs from all other attempts to conserve and protect human life in that it realizes from the outset the thing of supreme value. Indirectly, it seeks to advance the interests of the world through sound morals and sound finance and good hygiene and all rational agencies; but, directly, it cuts across all ordinary processes and boldly declares that the one thing of supreme value in this world is human life. With this it deals direct, just as the merchant deals with merchandise and the philosopher with his dreams. Dealing with this precious material, what ought its ambitions to be? What should it seek to accomplish? What ought its development to be? What ideals should it have?

Most human enterprises are restricted by material or by opportunity. Life insurance has no such limitations. From the beginning, it faced a universal need; it dealt with the source of all values. The wonder is, not that great things have come out of the life insurance idea, but rather that they did not come sooner. Its ambition could not be small. What it aimed to do, if well done, could not be unimportant. Any real development must involve great numbers of men and great values. Ideals which could inspire a wise leadership in such an undertaking must be high.

The growth of a few life insurance companies is perhaps the most striking feature in an age full of remark-

able activities. Most of the giants of modern corporate life are the result of amalgamation and combination. They are huge, but their parts existed before. This is particularly true of the great railroad systems and the great industrial enterprises. The tremendous expansion of certain life companies within recent years has been a distinct achievement. The development has been genuine growth. The fact that one company in six years added to its outstanding insurance a thousand million dollars, a sum equal to its outstanding insurance fifty-four years after its organization, makes a startling contrast in achievement; and that the last billion of insurance was secured at a saving of $20,000,000 over the cost of the first billion makes an even more startling contrast in methods.

The life companies which have had this prodigious growth have not had an easy time,—the result was no accident. They have had to face all the problems and all the difficulties that have confronted other corporations. They have had to do pioneer work. In carrying the gospel of life insurance to foreign lands, to countries where our ideas on the subject were almost unknown, where conditions were naturally hostile, they have duplicated much of the story of the early conquest of our own country.

They have been pioneers, too, in another field. They have first presented to the country generally, in concrete form, a definite expression of what co-operation and the modern way of doing things really involve. The ordinary man was not ready for this. He believed in co-operation; he believed that thereby his condition would be bettered; that he could eliminate waste and do away with much injustice. He did not understand, however, what it meant to have a million men combine for a definite purpose, running through a period of years. He wanted the product of co-operation, but with the processes necessary to

achieve that product he is even now not familiar. He is more or less afraid of his own program when it takes practical form.

There are real dangers attending all pioneer work. The men who settled the Ohio Valley, the men who discovered Oregon, made a contribution to the sum of human advancement and human comfort that is literally beyond all calculation; but in doing it they faced very real dangers. It would be difficult to-day to find any one who would say that what they undertook was not worth while because it was attended with severe effort. The great American life companies, responding to the opportunity and to what may be called the driving power of the life insurance ideal, faced most complex problems when they went beyond the borders of their own country carrying this gospel. They faced real dangers as they developed in their own country, dangers which will measurably disappear as the people come to comprehend the vast beneficence which these companies have already wrought, the vaster work which they must do, and when they come to understand, in addition that co-operation does not mean a smaller world, but a larger one; not less power, but more; not a simpler civilization, but one vastly more complex.

One of the current questions is whether the companies were justified in facing these dangers aggressively? Wouldn't it have been better to let things drift? Wouldn't it have been easier to wait?

But suppose George Rogers Clark had waited instead of marching on Kaskaskia and Vincennes? Suppose Robert Livingston and James Monroe had shuffled over Louisiana in 1803? Suppose Lewis and Clark had delayed in fixing our title to the Oregon country? Suppose any of our great opportunities as a nation had been faced flabbily instead of aggressively?

That the verdict concerning the pioneers and fighting leaders in life insurance will finally be exactly what it is now with regard to the great pioneers who so mightily influenced our destinies as a country is as certain as the future progress of the race. Just now, however, we are face to face with one of the periods of doubt and hesitation in the public mind. This arises—first, from the unfamiliarity of the public with such colossal results; and, second, from the development in the management of these enterprises of that weakness which can be traced in every human enterprise, a weakness which seldom if ever strikes very deep, and never seriously retards the progress of events.

Striking illustrations of the present attitude of people toward life insurance are to be found in the frequent references now made to the Equitable Life Assurance Society of London, and to a gentleman, lately deceased, who was for thirty-five years the President of the Connecticut Mutual of Hartford. These two companies, the Equitable of London and the Connecticut Mutual, represent extreme illustrations of what one ideal of life insurance can produce; while the three great New York City companies are examples of what another ideal has thus far produced. The Equitable of London has been doing business for one hundred and fifty years under the most favorable conditions and in the very center of opportunity. The quality of what it has done is beyond discussion,—it is good. The quantity of its achievements is so pitiful alongside of what its opportunity and duty demanded that people who cite it as a life insurance model can hardly understand the logic of their own reference. If what this company has done and is, make it a model of what a life insurance company ought to do and to be, then we ought to stop using electricity and steam, we ought to substitute

the stage-coach for the limited train, we ought to abandon the ocean greyhound and return to the sailing vessel.

The other company offers an equally striking illustration. When Mr. Jacob L. Greene became president of the Connecticut Mutual, in 1869, it was the largest and most prosperous life insurance company in the United States. When he died recently, the company was smaller than when he took it and doing less than half the business annually that it did forty years earlier. There can be no discussion as to the opportunity which this company enjoyed from 1869 to 1905. We all know the history of our country, and know what has been done within that period. We are all proud of it. We know, in a general way, what it means to the world as well as to us. We know, too, that in working out this development many mistakes have been made. It was a hard tussle, a constant fight. But who, now that the lapse of time gives us a better comprehension of what was done, thinks much about the mistakes, except as they teach lessons for the future? Who doesn't rejoice that there was a struggle? Who isn't proud if it so happened that he or his forebears had a hand in the struggle?

It is difficult to find a man who will say that the railroad development of the country within forty years has not been worth while; there have been times when such men could be found a-plenty. It would be more difficult to find a man who will say that the development of the West during that time has not been worth while. It would be almost impossible to find a man who visited the St. Louis Exposition, faced the great peristyle of the States, and was not overwhelmed with the majesty and utility of a movement which, in spite of dangers, in spite of fears, in spite of mistakes, created those great commonwealths. Yet, we can find numbers of men to-day who look at the achievements of recent years in life insurance and have

very grave doubts as to whether it was worth while. They are rather disposed to applaud and praise the trifler —the man who walked through this field of opportunity and did nothing; the men who had placed in their hands the power to accomplish real things and threw it away. There is a disposition to applaud the record, or rather the lack of record, of a company like the old Equitable of London, and to commend the management of the Connecticut Mutual, both of which ran away from their duty and frittered away a glorious opportunity.

The great life companies have had to face all the dangers that have surrounded corporate development in recent years. The companies have had to deal with men, they have had to deal with legislators, they have had to deal with various laws variously administered by forty-five States, and as many other countries lying beyond our borders. They have made mistakes. They will make other mistakes. It is easy to exaggerate the mistakes; it is easy to refuse to see anything but these mistakes. It may take some time for the great public, which is now harried and alarmed, to comprehend that these stupendous achievements are, after all, thoroughly sound, and full of promise for the future.

In spite of errors, in spite of mistakes, in spite of some maladministration, the work of the great companies stands high among the things nobly done during this generation.

They have worked out the first great problem in co-operation. They have met a world-wide opportunity and need with adequate plans backed by enormous energy. They have rendered a service which in practical beneficence and usefulness, both to the individual and to the State, has not been surpassed.

REMARKS

BEFORE THE BOARD OF TRUSTEES

On the occasion of his election to the Presidency of the New-York Life Insurance Company. June 17, 1907

YOU have to-day accepted responsibility for an extraordinary trust. The publicity which attended your election, the wide-spread interest in it, the fact that over four hundred thousand policy-holders recorded their choice, all emphasize the truth that life insurance, as practiced by this Company, is more than a private business, that life insurance trustees are public servants,—charged at once with the obligations of public service and with the responsibilities that attach to a going business which at the same time must be administered as a trust.

By an overwhelming vote you have been put in charge of the administration of a great business and a great trust. The business covers the civilized world in its ramifications, and involves the well-being of something like 5,000,000 people. The assets which attach to the business and have been committed to your care amount in round

numbers to five hundred million dollars. The people who have laid this most honorable commission on you represent substantially all races and countries and nationalities.

I know that you are keenly appreciative of both the quality and extent of your obligations. I understand your anxiety in selecting the men who are day by day to carry this burden for you, who are to discharge this trust on your behalf, who are to administer for the benefit of the people involved the multitudinous and exacting details to which it is impossible for you to give personal attention.

Your first official act has been to choose me as the head of the Company. I hesitate to offer you the usual formula of thanks, because any such expressions necessarily must fail to convey my appreciation of the confidence which your choice expresses. My long connection with the New-York Life—covering nearly twenty years—my service in about every branch of the Company's working organization, gives me, as I believe, a profound appreciation, not merely of the heavy burden that you have placed on my shoulders, but of the standards of efficiency, the standards of faith, the standards of integrity, which must be maintained at all times by the man who serves you and the policy-holders in this high office.

My thanks, therefore, for an honor which outranks any distinction within the reach of my ambition, cannot be expressed in words; they must be read out of the record I make day by day.

The duties before us are primarily extremely practical in their character. If they are well done, they must be taken up vigorously. The law must be observed in spirit as well as in letter, and that keen sense of justice and love of fair play, which in the end always marks the judgments of the American people, may be trusted to remedy excesses and correct evils in the laws themselves, just as

it can be trusted to remedy excesses and correct evils by process of law.

Life insurance has reached the end of one period of marvelous development. This Company's phenomenal growth was coincident with the prodigious development of all corporate life, but its growth was real growth; it was not the result of combination or amalgamation. Its advance from outstanding insurance of about five hundred millions to outstanding insurance of two thousand millions in less than fifteen years, was, as I estimate it, a clear addition to the conservative forces of society, a creation so sound that under your wise guidance it will speedily justify itself, if indeed any justification is or ever was necessary.

The purpose of the builders of the New-York Life was not to surpass someone else in achievement; nor was it to gain the satisfaction that comes to properly constituted men when great work has been well done; nor did they follow an altruistic impulse. These motives were all present; but the belief of the Company's creators was that there was economy and strength and certainty in a world-wide institution, and that as against the buffeting of time and circumstance, size would bring an ultimate advantage. To attain that strength and certainty and advantage was the moving purpose of our predecessors.

The laws of this State have in effect declared that the activities of this and other companies must diminish. Under existing statutes it will not be possible to add materially to the number of people now insured under our contracts. Whether that as a theory of statesmanship is sound or unsound is a question which time will settle. The State has so decreed and we accept the decree in good faith. But, I believe that such restrictive legislation applied to life insurance is economically unsound, that this Company can show definitely and conclusively that

it has peculiar strength and permanency because of its size, and that it is now exercising the economies which naturally go with a large and established plant.

You come into control to-day of a group of assets remarkable for its quality as well as its size. In the schedule there are bonds whose par value amounts to $354,000,000, and such is the character of these bonds that not a dollar of interest is in default; there are real estate mortgages amounting to more than $44,000,000, on which there is no interest in default; there is real estate actually owned amounting to over $12,000,000, represented chiefly by the Company's office buildings located in the chief cities of the world, and earning net on book value a higher rate of interest than any other single group of assets, except loans to policy-holders on the security of their insurance contracts. You take over these assets with substantially no litigation and few of the problems which inevitably arise from time to time in the investment and reinvestment of money. These facts are a tribute to the fidelity of your predecessors, and to the capacity of the men who have been in charge, so strong that they need only be stated to secure the approval of the policy-holders and of thinking men.

As you probably know, when the State about a year ago adopted material modifications in the laws which control the investment of funds of life insurance companies, the new laws had no effect whatever on our investments. The standards of our Finance Committee had long been severer than the laws of the State and the lawmakers substantially adopted our By-Law with regard to investments when it rewrote the investment law in 1906. With such a record, it is reasonable to assume that the Finance Committee will make no material change in its progress. Within a year and a half, however, a relatively larger portion of the Company's assets has been invested in

first liens on real estate. This line of investment, with due regard to good opportunities to buy bonds, will continue to have my support as a member ex-officio of the Finance Committee.

Amongst the problems that face this Board in its conduct of the Company's affairs, I see nothing more menacing just now than the tendency to pass unreasonable legislation with regard to life insurance in the various States of the Union. These bills largely relate to taxation and involve a constantly increasing drain upon the premiums paid by the policy-holders. Most of the States charge what may properly be called an income tax. This tax varies in different States. The tax has always been considered in the nature of a franchise tax, one of the conditions on which the Company is permitted to solicit life insurance. The result is not only a very heavy and unjust burden upon the thrifty, but as the tax varies in different States, the injustice is not evenly distributed.

Another kind of legislation which is even more drastic in its purpose is that which would force the Finance Committee to purchase certain specified securities and then deposit these securities with some designated official of the State. Back of this is the purpose to tax this property locally when it is so deposited. While this type of legislation has threatened the companies for many years, it has never taken serious form in any State of the Union until this year. We are now confronted with laws in Texas so objectionable that at the stated meeting of this Board in the month of May, authority was given to the Officers of the Company in their discretion not to ask for a renewal of our Texas license in 1908, and to cease doing new business there whenever in their judgment the situation demands it. I believe the action taken by the Board is absolutely sound and entirely warranted.

Finally, it is worth while to notice that life insurance

as an institution and as represented by individual companies has passed through a period of such trial and stress as rarely comes to any business enterprise, and that even in the very heat and fury of public misunderstanding and indignation, no person whose opinion was worth considering even suggested that this Company was anything but abundantly solvent and abundantly able to carry out all its pledges. It is certainly fair to say that this is not the result of an accident, because this condition is not found to exist in other lines of business when put to corresponding tests. Neither is it fair to say that it inheres in the nature of the business itself.

There is no resisting the conclusion that life insurance, upon the whole, has been soundly and wisely managed. This will inevitably be the conclusion of the general public, and with that conclusion will come a clearer recognition not merely of the strength but of the usefulness of life insurance. Considering the size of our membership and the extent of it, the public has a right to demand that this Company shall be one of the most useful institutions,—perhaps *the* most useful institution,—of its kind in the world. To satisfy such public expectation is an ambition of the first order, and I appreciate that nothing less than the achievement of that ambition will satisfy you.

LETTER TO POLICY-HOLDERS

PRESIDENT'S OFFICE
NEW-YORK LIFE INSURANCE COMPANY,
346 & 348 BROADWAY, NEW YORK.

July 12, 1907.

To the Policy-holders of the
New-York Life Insurance Company.

IN assuming the responsibility of Chief Executive Officer of the New-York Life, I have been greatly encouraged by many assurances of good will and confidence, not alone from the working force of the Company, but from the policy-holders and the press. For all these expressions I am sincerely grateful.

Life insurance undoubtedly is entering upon a new phase of its development. For fifteen years the New-York Life has been so related to the growth of life insurance that of necessity it must sustain important relations to the developments of the new period on which we are entering. The fifteen years just passed have been years of expansion, development and solid growth. This has been true of all progressive life companies, and it has been strikingly true of this Company.

The New-York Life, beyond any other similar institution, carried the benefits of life insurance to all the world. It erected as a necessary part of its development a great financial plant, the solidity of which is attested by the fact that at the date of my election as President there was no interest in default on its bonds amounting to $354,000,000 par value, and no interest in default on its mortgage loans aggregating nearly $45,000,000. In the location of its business, in the sources of its income and in the dissemination of its obligations, the Company is distinctly international. That our development was wise has been disputed, and the State of New York has enacted laws which have stopped that expansion, and may result in a period of reaction. We, on the other hand, hold that whether the Company is larger or smaller, whether it is national or international in its interests and activities, is material if it can be shown that the one condition or the other favorably affects the interests of its members. If the Company can better serve its members by a still further expansion in its business, then it ought to be allowed to expand. If experience proves that we can better serve the interests of the policy-holders by a decrease in our outstanding risks and a lessening of our activities, then that ought to be the fixed policy of its officers. All experience thus far, however, shows that the useful life insurance company is progressive. Progress may take on a variety of forms, and all in their way may be good. I profoundly believe that life insurance management should take its cue from the idea of life insurance itself. A man cannot insure himself; the vicissitudes of life compel him to join his resources and the value of his life with other lives in order to secure for his dependents some degree of certainty, in order that the shock and loss produced by death may be mitigated. How far should he go in seeking other lives with which to make this defensive al-

liance? Experience teaches him that business, and even communities, face at times the same conditions that menace the individual. Property values go up and down over considerable areas for considerable periods of time. That life insurance structure is certainly well planned and probably well built, which rests on risks widely placed and securities so varied in their character that they will necessarily be less affected by considerable fluctuations locally in property values.

In putting an arbitrary limitation upon the amount of business which this Company may do in any year, I believe the State of New York has made an economic mistake. I believe all such legislation to be fundamentally unsound. We ought in the interests of the policy-holders, and in order to carry out what seems to me to be the broadest and the safest and the soundest theory of management, to be permitted to do what business we can normally within the limit of expenses fixed by law. The great plant which now exists, erected soundly and at considerable cost, ought to be fully utilized in order to return full value to our insured.

The men who planned the Company believed that there was not only unequaled strength and permanency in a world-wide institution, but that there was economy. I believe they were correct in their assumptions. If, however, we learn from larger experience that they were wrong, and that a life insurance company can better serve its members if it has only one thousand millions of insurance instead of two thousand millions, if it operates in only one country instead of all the countries of the world, then I shall be quick to recognize that fact and shall act accordingly.

In undertaking this great work, I desire to call the policy-holders' attention to three existing conditions, and to discuss our relations to those conditions.

First.—Hostility has lately sprung up in the minds of many people against corporations, especially against corporations of great size. I cannot here discuss the reasons for this. It is sufficient for my purpose to say that corporations of great size must justify themselves. They must show affirmatively that they are an advantage to the people and not a disadvantage; that they are for the benefit of society, and, therefore, to be fostered and protected. The policy-holders in this Company, for example, should regard it not as a corporation merely,—something outside themselves, unapproachable and possibly more or less unfriendly. They should regard it as their property, because, with due regard to the rights of all the other members associated with them, the New-York Life Insurance Company is their property. So far as in me lies, the affairs of the Company will be so conducted that fair-minded policy-holders will believe in it, and will turn to the officers for information when information is desired. Few accomplishments are possible by mere administration which will be of more permanent value to the insured.

The Second condition to which I refer is this:

The New-York Life is a purely mutual institution. All of its members, under regulations and conditions prescribed by law, have a right to vote for Directors.* As a natural part of the development of the Company, and to comply with the law regulating its solvency, we have accumulated upwards of five hundred millions cash assets. The institution takes on the dimensions and the importance of a free State governed by its constituent members through the right of franchise. As the Company increases in importance, as its assets roll up, the necessity for the policy-holder to be level-headed and to have an intelligent comprehension of the affairs of the Company equally in-

*See memorandum attached hereto.

creases. The strength of the institution, indeed the very things that make its contracts desirable, put a responsibility upon the policy-holders second only to that which rests upon the Directors and Officers.

The Third condition is: The constantly increasing burden put upon policy-holders by legislation which usually takes the form of taxation. In 1906 these taxes (excluding taxes on real estate) amounted to almost $1,000,000. This is a constantly increasing expenditure. If any tax which takes away a portion of the premiums paid can be held to be a proper tax, payments on this account have now reached an unreasonable sum, and have become not only a source of great injustice to the thrifty but a positive menace to administration. The remedy lies largely with the policy-holders. In almost every line of business hostile legislation is at once met by vigorous protests from those whom it most directly affects. A proposal to tax life insurance premiums is a proposal to increase the cost of life insurance to the consumer. Such taxes are levied because the policy-holders are not likely to protest. It is time the policy-holders did protest. It is time, for example, that the policy-holders in this Company realized that the taxes of this character paid in 1906 would otherwise have been included in the dividends of the year or credited to dividend account. Mutual life insurance is not conducted for profit, and its premiums are not a proper subject for taxation of this sort. The administration will need as never before the co-operation of all policy-holders as against the increasing tendency to levy taxes of this kind. I ask all the policy-holders, therefore, to bear this in mind, and, especially in matters of legislation, to aid the management, in order to secure from Legislatures the "square deal" to which every man is entitled.

So far as a definite program can be laid down in con-

nection with questions which do not take form until they arise, and which take on an almost endless variety from year to year, my plan involves these points:

First: Strict economy.

Second: The widest, fairest and fullest publicity.

Third: An administration which will aim to continue the New-York Life as a world-wide institution, utilizing the strength which it has already drawn from that condition, and endeavoring to hand on the same benefits to future generations.

Fourth: Such an amount of new business under the law as we can secure while practicing intelligent economy, and enforcing the idea that the interest of the policy-holder is paramount.

The New-York Life has had a marvelous history during its sixty-two years of corporate existence. Based upon a principle and a charter, it has grown to be the largest life company in the world in respect of annual income, annual benefits to policy-holders, annual new business, and amount of insurance protection furnished. It was never better prepared to serve its policy-holders than it is to-day. The possibilities of its future usefulness present a picture which may well stir the ambition of any man. I undertake this great commission untrammeled by any obligation to any outside interest. With your sympathy and support I hope to advance the usefulness of what has been called "The First Business of the World", and to make the New-York Life all that its creators planned it to be—all that its high professions and possibilities demand it should be.

MEMORANDUM.

At the recent election of the Trustees of the New-York Life Insurance Company there were two tickets voted for—the ticket named by the Board of Trustees of the

Company, designated by law the "Administration Ticket", and the "International Committee Ticket", so designated by the Superintendent of Insurance. The ballots, whether by mail or by proxy or delivered in person, were, on the 18th of December, 1906, turned over to inspectors appointed by the Superintendent of Insurance of the State of New York. These inspectors duly canvassed the vote which they received, and certified the results to the Company on June 15, 1907. Their certificate shows over 400,000 ballots cast, of which a very large number were defective. The average vote for each ticket was as follows:

For the Administration Ticket.....236,000
For the Opposition Ticket..... 98,000

During the progress of the campaign two men on the Administration Ticket, Hon. James H. Eckels, of Chicago, and Mr. Ewald Fleitmann, of New York, died. Upon the organization of the new Board, Mr. Geo. F. Seward, of New York, resigned. This left three vacancies in the Board, which were duly filled on July 10 by the election of Hon. A. B. Hepburn, of New York, Mr. L. F. Dommerich, of New York, and Mr. Granger A. Hollister, of Rochester, New York.

Following is the Board of Directors of the Company:

JOHN E. ANDRUS.....Yonkers, N. Y.
Manufacturing Chemist.

JOHN CLAFLIN.....Morristown, N. J.
President H. B. Claflin Co., Dry Goods, New York City.

LOUIS F. DOMMERICH.....New York City.
L. F. Dommerich & Co., Dry Goods.

JULIUS FLEISCHMANN.....Cincinnati, O.
The Fleischmann Co.

THOMAS P. FOWLER.....New York City.
President New York, Ontario & Western R. R.

DAVID R. FRANCIS.....St. Louis, Mo.
Ex-Governor of Missouri; Grain Merchant.

A. BARTON HEPBURN.....New York City.
President Chase National Bank.

GRANGER A. HOLLISTER.....Rochester, N. Y.
Vice-President National Bank of Rochester.

DARWIN P. KINGSLEY.....Riverdale-on-Hudson, N. Y.
President.

WOODBURY LANGDON.....New York City.
Joy, Langdon & Co., Dry Goods.

ROBERT J. LOWRY.....Atlanta, Ga.
President Lowry National Bank.

CLARENCE H. MACKAY.....Roslyn, Long Island.
President Commercial Cable Co.

JOHN G. MILBURN.....New York City.
Carter, Ledyard & Milburn, Lawyers.

SETH M. MILLIKEN.....New York City.
Deering, Milliken & Co., Dry Goods.

GEO. AUSTIN MORRISON.....New York City.
President American Cotton Oil Co.

HENRY C. MORTIMER.....New York City.
Mortimer & Wisner, Chemicals.

ALEXANDER E. ORR.....Brooklyn, N. Y.
Ex-President Chamber of Commerce,
New York City.

AUGUSTUS G. PAINE.....New York City.
President New York & Pennsylvania Co.

WM. B. PLUNKETT.....Adams, Mass.
Treasurer Berkshire Cotton Mills.

ANTON A. RAVEN.....Brooklyn, N. Y.
Pres. Atlantic Mutual Marine Ins. Co.,
New York City.

JOHN REID.....Yonkers, N. Y.
Treas. and Gen'l Manager J. L. Mott Iron Works,
New York City.

FLEMING H. REVELL.....New York City.
The F. H. Revell Co., Publishers, New York, Chicago,
Edinburgh.

ELBRIDGE G. SNOW.....New York City.
President Home Fire Insurance Co., N. Y.

HIRAM R. STEELE.....Brooklyn, N. Y.
Steele, DeFreese & Frothingham, Lawyers,
New York and London.

LOUIS WAGNER.....Philadelphia, Pa.
President Third National Bank.

SOME LESSONS FOR POLICY-HOLDERS

REMARKS BEFORE POLICY-HOLDERS AND AGENTS IN CHICAGO, AUGUST 3, 1907

FOR people interested in life insurance, whether as policy-holders or as life insurance men, the events of the past two years have many lessons. The first hasty judgment might be that the lessons belong entirely to life insurance men. This would be a mistaken conclusion. The life insurance man has learned his lesson. There is no doubt about that. All Trustees have learned what some have always known, namely, that they are public servants, that while they may not be able to follow the detail of the business of a great Life Insurance Company they must have thorough general knowledge of the plans and methods of the Company's officers, and especially must insist that the administration of the Company be consistent with a high sense of Trusteeship.

The question which I want to consider chiefly to-day, however, is, With all that he has suffered and all that he has lost what has the policy-holder learned, what has he gained from the events of the last two years? There is

evidence everywhere of reawakened interest, but we have not yet moved far enough away from the turmoil and stress of what is known as the "Life Insurance Investigation", to get an entirely accurate picture of the mind of the average policy-holder. One of the problems facing life insurance management to-day is how to correct the misconceptions, the misunderstandings and the wrong conclusion which followed that investigation. If we knew that in the public mind there rested only the actual facts that were developed,—bad as some of them were,—the problem would be relatively easy. But the facts were never fairly put before the public, not even the facts of which life insurance men were ashamed. The mistakes and the sins of some life insurance men were distorted, misstated, and in that form telegraphed all over the world and found lodgment in the minds and hearts of men. What life insurance management faces to-day then is not a correction of faults, and the wickedness in spots, with which it was properly enough chargeable, but monstrous things, untruths, and what sometimes seem to have been wilful misstatements. Yet there is reason to believe that the policy-holder has, upon the whole, maintained a pretty good grip on himself, and has a better conception of the actual condition of the Companies and his personal interests than would be possible if he had believed all that he read. With each passing day this condition becomes more general. The Companies go on in their usual way; they pay their death claims and their dividends; they show that every line in their contracts is good for all it calls for, and the common sense not only of the policy-holders but of the general public begins to recognize that there was and is another side to the insurance situation,—a side which was not presented in the investigation, and which perhaps could not be, a side which was really the body of life insurance. As recognition of this fact

spreads, there will necessarily spring up with better knowledge a firmer grip by the insured on himself, on his Company, and on the institution of life insurance.

Every great forward movement amongst men has written a story which is not unlike the chapter recently written in the history of our business. If ours had been a business of small importance, there would have been no investigation; if life insurance had not begun to assume national importance, it would not have been put through the fiery ordeal from which it is just emerging. But it is a national, even an international question; it does come straight from the homes and hearts of the people; it reaches into every corporate interest; its problems are found before every Legislature; its questions are before every Court; its condition and management, the fidelity of its Trustees and the integrity of its Officers are questions of statesmanship. The people have traveled this road before, while solving similar problems. For example, it is not so many years ago that men had very hazy and uncertain notions about their civil rights. There was a theory abroad in the world, but not much more. The only people who had any real rights were the feudal chiefs and overlords, and the more the student looks into the facts which lie back of the seemingly slpendid civilizations of a few centuries ago, the more he realizes that these civilizations rested on masses of people who were without civil rights and almost without hope. The history of the nations is largely made up of struggles for civil rights, which finally bore fruit in the Constitution of the United States. The ballot represents the birth of real manhood. With all its occasional misuse, with all the corruption that sometimes surrounds it, the ballot is and always must be an expression of sovereign power; the sovereignty which belongs to a man because he is a man; and while politicians prate about it, and make phrases about it, and while we not infrequently

neglect our duty with relation to it, still we are perfectly conscious that we have in it a remedy for "grafting", for public inefficiency, and, within reasonable limitations, for all the evils which beset civil government. We can, if we will, establish justice as against every influence which may oppose.

"But how have these reflections," you ask, "to do with life insurance, with the existing questions in life insurance, with the problems of management, with the welfare of the insured?"

They have to do with life insurance and with the insured because they illustrate how a great idea, now dominant in the world, was worked out; because life insurance is a similar and an almost equally great idea; because the life insurance idea is being worked out to a conclusion which is almost equally important. Life insurance is not merely a question of business; it is a part of the sociology of the times. It strikes far deeper than premium rates, reserves, investments, and mortality, as such.

We say of the tendencies of the age that they are socialistic, and so they are. We see evidences of this in our literature, in our politics, in our legislation, even in the decisions of the Courts. What is socialism? I shall not attempt to give you a definition, but life insurance is not socialism, and, properly speaking, is not even socialistic. It is co-operation, but co-operation based on the doctrine of value for value. The struggle of the day, whether we call it socialistic or something else, is to establish for general society some programme by which a man, if he is a man, may insure for his family and for his old age equality and certainty and comfort, something for his estate akin to what the ballot gives him individually.

If maturity gives the right to vote and puts a man irrespective of nearly all other considerations on an

equality with all other men in the government of his country, how may the value of a sound life backed by honest purposes be utilized as a hostage to fate in that other struggle which begins with youth and ends only with death or old age? This is the substance of the question that men have asked more or less consciously for many years and life insurance is its answer.

The recent upheaval in life insurance is teaching the policy-holders a better knowledge of the true significance of this contract they have entered into, and they are coming to recognize the fact that a life insurance contract in a sound institution is as much a matter of public interest as laws which promote education or encourage good morals.

The growth of life insurance was a natural preface to the problems which face us to-day in business and in politics. It was a solution of the problem which developed as the problem itself developed. Men began to preach it about sixty years ago seriously and earnestly. The idea has been in the world for a long time, but the world has only lately begun to understand and accept it. Having established his civil rights so firmly that no one remained to quarrel with him over the subject, having no one to blame but himself if these rights were not properly safeguarded and protected, the citizen naturally next considered his material condition and well-being, the question of the comfort of himself and of his family. This was an almost necessary sequence. The ballot protected him in his property rights, but he needed something more. With his civil rights established and his property rights assured, the individual still found himself menaced by all the vicissitudes and accidents of life. Between his family and possible want there was only a frail defense. He found that even though he had the ballot, he could no more stand alone and protect his family and his old age than he could form a government of his own independently of his fellow-beings.

So through life insurance he began to join forces with his neighbors; then he extended his connection to the next County; then to the next State; then to all the States of the Union; and then to neighboring countries. Finally he went over sea and joined hands with men of similar occupation and similar longevity value in every country, without regard to any other question, without arguing over race, or religion, or color.

Under the leadership of certain aggressive and powerful men, the work spread mightily, until in a vague and uncertain and indefinite sort of way the entire world began at last to realize that here was a new idea, a new factor in human life, something of vast importance, something that involves great power and grave responsibilities. Then the world began to ask questions. Professing much, the business had much to answer for. Advancing high standards of conduct, it was inevitable that its own conduct should be mercilessly criticised. With the success which came when a large part of the world began to recognize how useful and necessary life insurance is came its first supreme trial. It had to meet the test that has always been applied to great movements amongst the people. It was put upon the rack; it was twisted and torn; it was mercilessly questioned and cross-questioned. It was caught up at the close of a period of enormous activity and growth and subjected to the judgment of a jury to which was presented all the errors and faults of administration, all the evil practices of a few men; but the virtues, the beneficence, the strength, the essential integrity of management were not presented. The jury was merciless, which was right; because to be consistent with its high profession, life insurance, within reasonable limitations, must be ready at any time to go upon the stand and answer the fair judgment of mankind. If we admit, as we must, that life insurance suddenly put in the high light of public atten-

tion was bewildered and made ashamed; that gross errors were uncovered; that indefensible wickedness in spots was revealed,—we have after all admitted only what has been true at times of every human enterprise, what has been true even of the Church, and we have not, therefore, admitted any verdict against the institution itself.

But we have begun to move away from that condition. The fury of criticism is passing. Facts begin to assume their natural force and relation. Out of the mists and fog of public misstatement and misunderstanding, the proportions of a structure which is imperial in its extent and superb in its strength and beauty begin to emerge.

I said lately to the policy-holders that the New-York Life takes on the dimensions and importance of a free State governed by its constituent members through the right of franchise. But no such State was ever erected before. Its citizenship encircles the world. Its registered members total something like eight hundred thousand selected lives and directly involve the welfare of 5,000,000 people. They have been induced to ignore the usual prejudices that separate one people from another, and have sought in the contracts of the Company the kind of certainty for themselves and their families that their social organization fails to give them, that their governments cannot offer. They have mutually entered into pledges with each other. Those pledges aggregate in our Company alone two billion dollars. As time has passed pledges have matured and all have been made good. Since the organization of the Company, its pledges have been redeemed to the extent of $560,000,000. No pledge has ever been repudiated; no payment, except through the usual accidents of business, has ever been improperly delayed. There is in hand as a necessary guarantee that all future pledges will be redeemed the sum of $500,000,000. The policy-holders never at any time lost sight of these facts. They were never stam-

peded, even in the midst of the most terrific outcry. They were disturbed, and some of them were induced to sacrifice some portion of their savings through too hasty action.

The future of this world-wide institution, and to a large degree the future of life insurance, rests in our hands. I say "our" hands because a large degree of responsibility rests upon the policy-holder; the entire responsibility cannot be placed upon the Trustees and Officers. Will you think that I am visionary if I say I can hardly imagine a more dreadful calamity than the failure of life insurance to carry out its high mission? We have a keen appreciation of what it would have meant to the world if our experiment in free government had failed. At the same time, we don't forget that it was preserved only after many bloody pages had been written in history. We know, too, that even now we cannot hold our hands and assume that our liberties are safe. That the price of liberty is eternal vigilance is still true and always must be.

Life Insurance, I profoundly believe, points to the solution of the problems which underlie the socialistic tendencies of the age. Life Insurance, as I have said, is not socialism. Indeed the wider its dissemination the more improbable the success of most socialistic schemes. It gives no charity. It takes away from no man what belongs to him. It pledges to a man's family a value which by the ordinary rules of business the man has not earned; but the value is in his life, and it is the only known process by which that value can be justly and for value received transmuted into protection for dependents. If Plato was right when he said the only real things in the world are ideas, then life insurance is creative. Except through the instrumentality of the securities which it holds, it does not take the ore from the mine and build a locomotive. It renders what is perhaps even higher service than that. It does not join issues with socialism on the one hand, or

with competition on the other. It lets competition work its will in the current affairs of men, it repudiates the essential doctrine of socialism in that it makes every man pay for all he gets. It conserves and preserves and binds together, and in a practicable way enforces and illustrates the solidarity of the human race. It merges a man's little into the vast possessions of the many. It takes a dollar from the poor and so invests it that it is guaranteed not by any single enterprise nor by any single bond nor by any single piece of real estate, but by the strength of many bonds and the value of much real estate. The New-York Life, for example, is an aggregation of estates representing not merely the money that the creators of these estates have actually paid in, but to some extent at least, the value of the lives of the creators. They are estates instantly created and as certain for the family of the man who dies to-morrow as they are for the man who dies twenty years hence. Small wonder that such facts as these are beginning to attract the attention of the world. Small wonder that such certainty and security and equity appeals to the man who otherwise sees between his family and possible want only the uncertain length of his own days and the doubtful continuance of his own health.

I should lose faith in the permanence of our institutions, in the justice of our laws, if I did not believe that such a beneficent plan is bound to grow in extent and in usefulness. Bad laws may be passed here and there through misconstruction or misunderstanding of what has been done or left undone, but the good sense of the people will see beyond all that, and will demand that the idea be carried out for their benefit. Forwarding this idea is our task. Your part in it as policy-holders is two-fold. First, to watch the administration; second, to help the administration. You must watch the admin-

istration just as you watch your representatives in government. They must be honest, they must be efficient. If they are not, you must turn them out. The individual is of no consequence except as he can forward the success of the enterprise itself. The laws demand the fullest publicity, and no management of any responsible Company, so far as I know, is disposed in any way to evade the obligation of these laws. The larger the Company, the fiercer the light which beats upon it, the more it must be able to stand as against any criticism that can be offered by any fair-minded man. On the other hand, you must help the administration, and that is a very important part of what I want to say. We are subject in the United States alone to the supervision of forty-five separate States, each with its own Legislature, its own Executive, and its own Judiciary. If we do business in those States, we must comply with the laws of the States, but it goes without saying that in so many Legislatures, human nature being what it is, many bad laws are proposed, and sometimes bad laws are passed. In the interest of the policy-holders, we are bound to oppose the passage of certain propositions. We would be recreant to our duty if we did not. But that opposition must always be in the open, and its methods must always be those that can bear the light of day. We all know something of how Legislatures operate. We all know something of the methods which it is supposed must be employed to forward or defeat legislation. I realize that I shall be considered visionary by many people if I say that our method of appeal to the Legislatures hereafter will be largely the voice of the policy-holders themselves in each separate State. The practical man will think that plan must fail. Perhaps it will. But, supplementing pleas made before Legislative Committees, it is the only plan that we can follow. For example, take

your own State, Illinois. If bad legislation is introduced, and it may be, I shall very likely directly appeal to every policy-holder of the Company living in the State, I shall tell him why the proposed measure is wrong, why it is unjust, and why we cannot comply with it if such be the case. I shall ask him to look after his own interest, to present the case to his representative or to his Senator, to talk it over with his neighbor, in order if possible to build up a body of public opinion to which the Legislature will listen. If the policy-holders refuse to respond to such pleas, if they refuse to appreciate not only the value of their contract in the Company but their obligation to the men all over the world with whom they have associated themselves, then they will be as recreant to their duty as the man who fails to vote on election day, or the man who sits idly by knowing that in the organization of his Town or his County or his State dishonesty is rampant.

We have been obliged already to retire from one of the great States of the Union; the fifth State, as a matter of fact, in point of importance in the organization of this Company. I don't need to say that we retired with profound regret, only because our duty to the policy-holders in the State itself made it imperative that we should do so. The Texas law was enacted under the plea that money had been taken from Texas and invested elsewhere. The readiest expression for this was that the money was used to "gamble in Wall Street". As a matter of fact, our investments in Texas at the time were quite as large as the reserve on our business in that State; and between payments made to policy-holders and investments in what are properly Texas securities, we have returned to the State every dollar that the business of the State on any theory could claim. Let me illustrate our theory of investment by citing what we have now in securities affecting the City of

Chicago and the State of Illinois. By the standard set up in Texas, a Legislator of this State might hold that the only investments we have in Illinois are our real estate mortgages, which amount to about $1,750,000, our policy loans, which amount to a little over $1,250,000, and our municipal bonds, which amount to $2,000,000. But what are the facts? We own the bonds of railroads in or entering the City of Chicago, together with municipal and other corporation bonds amounting to $85,600,000; we own bonds of railroads the systems of which enter Chicago and are direct arteries of the commerce and trade of Chicago, aggregating $50,500,000 more. The total holdings of bonds by the New-York Life in enterprises which directly or indirectly influence the growth and well-being of Chicago amount to $136,000,000. Add the $3,000,000 real estate mortgages and policy loans, and the municipal and other bonds which represent other Illinois enterprises, and you have in round figures nearly $143,000,000 invested in this way. With just as much propriety as the cry was made in Texas could it be said that this money has been taken out of the State, taken to New York, and not returned. It has been returned. The policy-holders' money represented by these bonds is in the State and in the City in the truest sense. It is invested in the judgment of the Trustees who are responsible. It is wisely invested. It is serving the policy-holders and serving them well. If the time should come when legislation like that in Texas is proposed in Illinois, these are the facts which I should endeavor to put in the hands of every man who holds a contract in this State with the New-York Life. If by such methods I can awaken the membership of the Company to the keener interest that comes with better knowledge, and by that means, perhaps, spread that interest and knowledge to policy-holders in other Companies, we can make public opinion and make it quickly. We can go far towards solving

the ugliest question which faces life insurance management to-day, and that is legislation based on prejudice and misunderstanding and largely inspired by political ambition.

The policy-holders can readily make themselves heard if they will, and they will if once they appreciate their rights and understand the danger.

The policy-holders have been told many things in two years. They have been confused and alarmed. Some degree of alarm was certainly warranted. But the confusion is passing. The alarm is subsiding. Confidence is returning. The irrevocable past, with its bitter lessons, with its justice and its cruel injustice, stands as a silent monitor over all future administration. With truer vision, with better knowledge, and with saner judgments, these facts at least are clear to the policy-holders.

1st. That their contracts are safe and their Companies sound.

2d. That their life insurance protection rests on an idea which is national and even international in its scope, and cannot, therefore, perform its best service if unreasonably burdened and restricted by local politics or local interests.

3d. That payment of premiums does not complete a man's obligation to his Company; just as voting doesn't fulfil a man's duty to society. The good citizen supports good government and condemns bad administration in a thousand ways. So must the policy-holder do.

4th. That demagogues may discover in mutual life insurance a new field of opportunity. This is an old danger in a new form, and a very real one just now.

We have all learned our lesson. We have a clearer grip on what life insurance is and ought to be. We know

that life insurance will go on to the fulfilment of its high purpose. Legislatures may hinder it. Taxation may burden it. Demagogues may use it for unworthy purposes. Indifferent and even bad administration may now and then put it to shame. But it will go on, because the public interest demands it.

THE FUTURE OF AMERICAN LIFE INSURANCE

An Address before the National Convention of Insurance Commissioners, at Richmond, Virginia, September 17, 1907

THE rôle of the prophet is confessedly a difficult one, and yet every man whose work is especially valuable to the world is consciously or unconsciously a prophet. Every one who accomplishes anything worth while works on the assumption that within certain limits he knows approximately what will happen. The broader his view and the keener his vision, the more valuable his work will be. In pure mathematics it is assumed that the demonstrated truths respecting straight lines, angles, and curves, will prove true throughout all space and in all time, and upon this assumption the astronomer measures the orbit of the earth, calculates the magnitude of the sun, and predicts the return of the comet. While we may not be able in the consideration of business problems to ascertain all the forces that are at work, or to calculate accurately their

magnitude and direction, still there are in every great business certain underlying principles the tendency and effect of which may be approximately known. This is especially true where the working of such principles in the past may be observed through a series of years during which they have encountered the opposition that great principles always meet and have demonstrated both their vitality and the direction of their growth.

If, therefore, we are able to forecast in any degree the future of American Life Insurance, it must be by a consideration of its intrinsic nature and its relation to other great forces of the time, the results which have attended its operation hitherto and the influences which will probably shape its course hereafter. If we consider the intrinsic nature of life insurance, we must conclude that its future can no more be a matter of doubt than the future of civilization itself. Is there any doubt about the future of our civilization? Will the twentieth century distinctly lead the nineteenth? Is the unmistakable impetus given to the world by the development of our government and our country to go on? It would be difficult to get a negative to such questions in this audience, or in any audience of representative American citizens.

What is there in the nature of life insurance which makes it in some form necessary to an advanced and an advancing civilization? What is the height and depth, the length and breadth of the appeal which it makes to every properly-constituted man? Briefly, it covers two risks, risks as old as organized society, risks as universal as life, risks which involve all that is best in human affection, risks which uncovered bear heavily on the State. It assumes that life has a money value,—an assumption that no intelligent man any longer questions. It transmutes this value immediately into money in case of premature death, and in so doing it accumulates a sum of money which be-

comes available in old age. Uncovered, the loss occasioned by premature death is serious and sometimes so grievous as to be appalling. Life insurance protects the family of the man who has accumulated but little from a fate which he cannot himself think of without a shudder. The other risk, the risk of poverty in old age, is just as real as the risk of premature death. The poverty of many elderly men who have worked hard all their lives and perhaps have at some time been men of wealth, is a matter of common knowledge. To enumerate the causes would be as useless for my purposes as to enumerate the diseases by reason of which men die. They are many and they are effective. The risk is there and the fact is there and he who runs may read. Against both of these risks life insurance undertakes to provide. It appeals, therefore, directly to the conjugal and parental affections and answers the question of that almost divine spirit which leads men to make any sacrifice and undergo any hardship in order to provide for the present and the future of their families, and for their own old age.

A man who assumed the rôle of prophet with respect to American life insurance sixty years ago would have had to deal with entirely different conditions from those which confront us. Most of the problems which he would have had to take into account have been worked out to a conclusion. Even the superstition which made men hesitate because life insurance dealt with that mysterious thing called death has been largely eliminated. In forecasting the future of life insurance what was then a matter of experiment is now a matter of fact. Tables of mortality have been established beyond peradventure. Our assumptions of interest earnings are sufficient, and in the light of present developments probably more than sufficient. Through the vigorous and aggressive work of American companies opposition has been beaten

down, and of the original factors in prophecy, management—its efficiency and integrity—alone remains.

But new problems have arisen, and, if we prophesy, we must take into account factors which the earlier prophet knew nothing about. The appeals of the earlier missionaries of life insurance and their successors have been magnificently answered. At the end of less than seventy years' active work in this country, the number of policies in force is greater than one-fourth of the entire population, and if the accumulated assets of the companies were turned into cash and locked up, there would not be a dollar with which to do business. These years of growth have been rich in experience. So rapid has been its expansion, so powerful has become its function in society that life insurance is now more completely regulated by the State than any other business. This relation to the State grew up as the business expanded, and now substantially every country of the world and every State of the United States has a special department of government created to supervise insurance. This has gone so far that the State now fixes the conditions of organization of life companies, the status and compensation of their agents, the form of policy they may issue, the securities they may purchase, the reports they must make, the standard of solvency they must maintain, the maximum surplus they may hold, the amount of new business they may do, and the maximum limit of expenses. Life insurance has become a great public question.

What are the forces which will demand that it go on to a larger usefulness? What are the forces which will hamper it and hinder its growth?

No one will deny that during the past sixty years there has been a marked increase in what I may call the humane

spirit, which is only another name for the spirit of justice tempered by mercy toward the weak and the unfortunate. It was this spirit that sealed the doom of African slavery on this continent. It has effected many reforms in the laws respecting women and children. It carries on settlement work in the slums of our great cities. It builds and maintains orphan asylums, industrial schools, homes for the aged, and unfortunate. It springs to the relief of communities suffering by disaster from fire or flood or earthquake or famine. Life has come to be regarded as something sacred, and the demand that it shall not be needlessly sacrificed finds expression in safety appliances in manufacturing, mining, and transportation companies. The movement is general. It has even broken through the conservatism of China.

During this same period there has been a great increase in the productiveness of human life, and consequently in its pecuniary value. This increase has come about largely by the more general use of machinery and the organization of the forces of production and distribution. Improved methods have not only made all labor more valuable, but have also shown the value of intelligence and the exceptional value of men capable of organizing and developing large plants of every kind. This increase in the productiveness and value of human life has been coincident with a marvelous increase in the *per capita* wealth of the nation, and in the cost of living and the standards of comfort of the people generally.

At the same time, there has developed an increasing disposition to cover the risk of loss of all kinds by insurance. For example, loss by fire, by casualties, by theft, by sickness, by burglary, by any of the vicissitudes of life.

If we were to consider only these elements: the service which life insurance performs; its wonderful growth; the expansion of conditions which increases its opportunities;

the general movement toward better conditions, in which life insurance is a constantly increasing force, our horoscope could be quickly cast and it would be altogether cheerful and optimistic, but before we cast that horoscope we must consider some other factors.

What are the forces which will hamper the development of American life insurance?

Assuming competent and honest management, the greatest menace to the future of American life insurance, lies in an increasing tendency on the part of the various States of the Union to treat life insurance as a local question, and to legislate from the local view-point.

Whether that tendency is wisely or unwisely governed and directed is largely within the control of the members of this Convention and their successors. Tell me what your attitude will be, what the attitude of your successors will be, and I can tell you what the future of American life insurance will be.

The fact that you are assembled here to-day, that you have a national organization, shows that you recognize an obligation which reaches beyond the borders of your own States. Whatever may be true of any other business, it is certainly true that the business done by any given life company in California must be administered by California with a certain regard to how corresponding interests in New York are administered by New York. Notwithstanding the logic of the Supreme Court of the United States which says that insurance is not commerce and that a contract of insurance is not an instrumentality of commerce, life insurance will be justly supervised only when each State treats the business done in that State as though it were interstate commerce and to be dealt with as a Federal question.

Local pride and local prejudice in a government like ours are very difficult things to deal with. Indeed the feeling is not limited to any country or to any people. For example, at the present time, a serious political situation exists in Italy because of a defaulting ex-Minister who has been placed under arrest at the order of the President of the Senate. This particular minister happened to come from Sicily, and Sicily has been very proud of him. That he stole enormous sums from the Treasury, fitted up his residences with objects of art belonging to the State, and granted teachers' pensions to laborers, women, and children in arms doesn't matter. He is from Sicily. We may have no exact parallel to this in our own politics, but the same spirit is present everywhere. The Congressman or the Senator who gets an appropriation for a post-office is reasonably certain of local approval without much regard to the methods by which the appropriation was secured.

Under this heading let us consider some specific dangers arising almost entirely from the demand of local interests; let us review some types of legislation with which you will have to deal,—legislation which has been getting a firmer grip year by year, adding burdens to the thrifty, taking money unjustly from the pockets of policyholders, and finally reaching a point where it has become a menace to administration and to solvency.

In New York State, legislation has already put a limitation upon the amount of surplus that a company may have. In Texas it has undertaken to compel life insurance trustees to purchase local securities, whether they approve of them or not, and, in addition, has undertaken to place those securities within the reach of local authorities for local taxation. In New York State it has put an arbitrary limitation not only upon what shall be paid for new business, but on the amount of business a company may do.

In Wisconsin it has fixed the maximum premium which a company may charge.* In Missouri it has placed a limit on the amount of salary which may be paid to an officer of an insurance company under any condition. In a considerable number of States it has denied foreign companies the protection of the Federal Courts. In nearly all the States it has steadily increased taxation of premiums, sometimes directly and sometimes through what are known as retaliatory statutes.

All these measures are restrictive and radical, some are revolutionary, some are dangerous.

Let us consider a few of them a little more in detail:

How much surplus should a life company be allowed to accumulate as a contingency fund? The State of New York has recently decreed that the percentage of surplus thus held shall decrease according to a fixed scale as the policy reserve increases. Under the scale established a company with reserve liability of $100,000 or less may hold a surplus of $10,000 or 20% of its policy reserve, whichever is the larger. A company with reserve liability of $1,000,000 may hold only 15% surplus, a company with a reserve liability of $15,000,000 may hold only 10% surplus, and a company with $75,000,000 or more of reserve liability may hold only a 5% surplus.

The first phase of the law that invites comment is the underlying assumption that the small company is liable to loss of money by the shrinkage of assets and in other ways in larger proportion than the large company. During the investigation which preceded this legislation, criticism centered on the large companies, but here is an assumption in their favor which was quite unlooked for. Even if we admit that a larger margin of safety should be allowed to a newly-organized company until it is well established and has assets of considerable variety, what

*This law was repealed in 1911.

possible reason is there for allowing a $15,000,000 company a percentage of surplus twice as large as that allowed a $75,000,000 company? If the liability of loss decreases with the size of the company, why not continue the reduction to zero? Both companies might have, indeed probably would have, their money invested in identical securities, which under any given condition would fluctuate to exactly the same extent. Of course the principle represented in this law is unsound, and its present application is a serious menace.

The savings banks of Greater New York have over $900,000,000 in deposits, and a surplus of over $73,000,000, or about 8%. Those with deposits under $15,000,000 have a surplus on an average of 6%, those between $15,000,000 and $50,000,000 have an average surplus of 9%, and those with over $50,000,000 deposits have an average surplus of nearly 8%.* The smaller banks have a smaller percentage of surplus, those of intermediate size a larger percentage, and no class has so small an average as 5%. Can any one tell why a life insurance company should not be allowed as large a surplus as a savings bank? In one respect only is a life company more favorably situated than a savings bank: its customers must keep on making annual payments, a quarter of which is "loading" and does not appear in its liabilities, but on the other hand the investments of the savings bank are more restricted than those of the insurance company and should on general principles be less liable to shrinkage and loss. Moreover, this is the only liability to loss which the bank has while the life company has this and many others besides. The bank pays interest only after earning it, and in accordance with its earnings, while the life insurance company's contracts are issued on the assumption that it will surely earn a certain rate of interest. If this in-

*World Almanac for 1907.

terest rate declines, not only does the company earn less for surplus but the State may step in and increase its liabilities. Indeed the State has done this several times. Since the organization of the New York Insurance Department in 1859, the State has had four standards of liabilities for life insurance companies, each change making the liabilities larger. The changes in the rates of interest obtainable have sometimes been great and unexpected. In the first convention held by this body, a committee of actuaries reported that the interest earnings of life companies doing business in Massachusetts were over 6%. Other eminent authorities expressed the opinion that 5% and more could be realized for a generation to come, and pointed to the fact that United States 5% bonds were selling at par. The convention voted for a 4½% standard. What then happened? In 1877 the funding operations of the government were undertaken, and it was demonstrated that government bonds could be sold on a 4% basis. In 1884, the State of New York enacted a 4% reserve standard, to take effect on old business as well as new three years later. This change required a transfer of about $35,000,000 from surplus to liabilities by companies doing business in the State. The percentage of surplus to liabilities was reduced from 22% to 14%—thus falling eight points, which is three points more than the law now allows the large companies to hold. That the change was wise I don't question, but it could not have been made if the companies, in the exercise of a wise conservatism, had not accumulated large surpluses for this and other contingencies.

The law not only fixes a standard of liabilities, but it also makes its own valuation of assets, and from its decision there is no appeal. The value of securities dealt in on the public exchanges may be readily ascertained; the value of others is a matter of opinion, and the opinions

of the Insurance Departments are not always the same with respect to these values. During the past two years we have had some striking examples of fluctuations in the value of securities.* British Consols, bonds of the city of New York, first-class railroad bonds, have all declined, some of them more than ten per cent. In its last year's report the Insurance Department of the State of New York shows a reduction in the valuation of one company's real estate alone of over 2% on its entire policy reserve. If it had been possible in April, 1906, immediately to establish surplus in the great mutual companies on the basis of the then enacted laws, many Trustees, through the shrinkage in market values which has occurred within two years, would now be faced with the question of passing dividends altogether, and technical insolvency would be in sight. With fluctuations in the value of the best securities, not theoretically possible but actual, present, and covering a wider range than the margins allowed by law, how is management to do justice to policy-holders? How can Trustees avoid paying too much one year and too little the next? How indeed can they escape the most serious consequences?

The present danger springs from high rates of interest, low prices for securities, and the dangerously small margins allowed by New York. At the other extreme there is a danger almost equally great. When securities are high and interest is low, the State might be compelled in the public interest to change the reserve standard to 3%, and this again would require more money than the law permits the companies to hold as surplus.

These are not suppositions made for argument's sake, but a statement of facts that have unexpectedly developed since the passage of the New York laws. They are danger

*See memorandum A attached.

signals, which you who are largely responsible for legislation have already seen, and which you are under the most solemn obligations to heed.

It is to be hoped that New York's bad example in this particular statute will not be followed, and it is not beyond hope that this thoroughly dangerous law may soon be repealed.*

Again what should be your attitude in the matter of taxation? There is almost a rivalry between the States as to which will impose the heaviest burden on premiums.

The power of the purse and the power of the sword are twin attributes of sovereignty. Money must be had for the purposes of government, and how to get it has been the problem of tyrants and patriots alike. The political life of nations has often surged about the question of taxation, and a difference of opinion on this subject kindled the spirit of independence in the hearts of our forefathers. The tax gatherer sooner or later lays his hands upon a part of everything in sight,—real estate, personal property, income, production, transfers, consumption, inheritance. He has gone even farther and collected taxes on space, space left open in the walls of human dwellings that sunlight might come in and banish gloom and disease. It was hardly to be expected that life insurance would escape.

While I would not to-day argue with any hope, for entire exemption from taxation, let us briefly review some reasons why the premiums of life insurance ought to be exempt. Life insurance on the mutual plan is not a money-making business; it is the collection and disbursement of money to prevent poverty. All money received is either at once paid out in benefits and expenses or is invested and pays taxes where

*For changes in the Insurance Law of New York, see foot notes to address on "New York State and Life Insurance Legislation."

it is invested. Life insurance premiums are a self-imposed tax which prevent burdens upon the State, and a tax upon a tax is barbarous. The taxation of life insurance premiums is a tax upon property not in possession and from which no present income is derived. It is a tax upon a trust fund held for the fulfilment of contracts with widows and orphans, which when so payable is by law exempt from attachment for debt. The most enlightened nations of Europe have fostered the system because of its benefits to the State, and some of them exempt from the income tax within certain limitations the money which a man devotes to life insurance. These arguments are all founded in justice, they are economically sound, but they seem practically useless. The modern legislator says in effect, "You have money to spend for life insurance, then you are able to pay taxes. Give the State a part and buy less insurance." And so a man sits at the receipt of customs wherever life insurance is sold in this country, save in Nevada, Oklahoma and Alaska, and to the buyer who wishes $100 worth of life insurance, if from New York he says, "Give me one dollar", if from Pennsylvania he says, "Give me two dollars", if from Ohio he says, "Give me two dollars and a half."

The tendency for many years has been to take more and more. There is no uniformity in the taking. It has come to be a game of grab. Money must be had; policyholders are more or less defenceless. This is an easy way to get money for the State; whether it is a just way or a proper way has little consideration.

The report of the Committee on Insurance Law presented at the meeting of the American Bar Association on August 26 last dealt with this and other phases of life insurance. On the subject of taxation the report said:

"We have not yet in this year of grace 1907 risen

above the idea that *money in sight* belongs to him who can get hold of it, and keep it, and keep out of jail."

Again the report says:

"And so it is that these immense sums of *money in sight* have been regarded as spoils * * * * * * * * * * by a number of State Legislatures which with little knowledge and less scruple have treated as legitimate loot these moneys raised by voluntary taxation to provide against disaster and calamity. * * * The individual who misappropriates trust funds deserves censure and punishment, but it is just as dishonest to steal under the protection of law as without it; it is just as dishonest for the State to lay unholy hands on trust funds as for an individual, and the States commit a monstrous injustice when they seek, even partially, to maintain themselves by legislative raids upon trust funds. Moreover, it is the climax of cowardice to commit extortions in the name of the police power, but most of them are doing it, and thus they commit the identical offence which they condemn and punish in the individual."

Under the plea that the companies should pay the expense of insurance supervision in each State, the taxes on premiums and other fees have been gradually increased until now they amount annually to several million dollars more than the cost of supervision. The State Insurance Commissioner is not without a feeling of satisfaction over the fact that the taxes collected in his Department during the year paid the expenses of the Department and added thousands of dollars to the general income of the State.

I cannot resist the conclusion that under your leadership the States will some day recognize the brutal injustice of this program and relieve the policy-holders of this burden. But to-day I am dealing with things that are probable, and, recognizing the certainty that these taxes will

continue for some time I urge you to adopt some uniform scale, and if you feel that it is honorable and just to take from these funds more than the cost of supervision, take only this scale and take it everywhere.

At the present time, with the exception of Nevada, the States take from one to three per cent.* of the premiums paid, in some cases deducting dividends, death losses, etc., and in others collecting it on the gross amount. Then there are the license and other fees exacted by the State; there are taxes on personal property; there are the fees for the agents' licenses, and in some States, especially in the South, certain municipalities step in and in addition to what the State exacts charge both the company and the agent for the privilege of doing business; then certain cities demand a percentage of the premiums paid in their jurisdiction; and, finally, in one or two States, the counties make a similar demand.

The effect of this, of course, is that the State violates the principle of mutuality. Each State insists that dividends shall be uniform, that the man insured at age twenty-five on the Ordinary Life Plan shall receive the dividend paid in every other State on identical contracts, notwithstanding the fact that one State may have been collecting 2½% each year of all the premiums paid, while another State may have collected only 1%. Of course the State in no case intends an injustice. It is simply the temptation of "money in sight". But in these days, when Trustees are being held to a finer sense of trusteeship, when the demand is made that life insurance moneys shall be more safely held and more carefully accounted for, what worthier object can engage your attention than a movement amongst the Insurance Commissioners of the country, first to protest against the

*See memorandum B attached.

injustice of any taxation on premiums, and then, if that seems impracticable, to insist that the burden shall be fairly distributed.

It has been alleged that life insurance managements have sometimes violated the principles of mutuality. If that be true, it was a grievous offence, but how much more grievous is the offence when the principle is violated by the State.

Another tendency in legislation with which you must deal is that which would compel investments in local securities and require deposit of those securities where they can be locally taxed. Here legislation from the local as opposed to the national view-point takes on one of its radical forms. Of course the State which charters a company may properly prescribe the securities in which it may invest its funds; but even if it is constitutional is it wise for every other State to assume to exercise the same authority? In dealing with the right of life companies to appeal to the Federal Courts, the Supreme Court of the United States has seemed to hesitate at times, and its judgments have, I think, in every case been delivered by a divided Court. But the doctrine that a State may prescribe the conditions under which a corporation may do business within its borders is probably finally established. This should not, however, end the question with you. The problem as to the wisdom of such a doctrine still remains. Is it economically sound? Does it not from your view-point immediately interfere with the proper and desirable growth and expansion of a beneficent idea?

The laws of New York prescribe that life insurance funds shall be invested in securities of a high standard, but leave the Directors to find such securities wherever they can. The responsibility of selection cannot be safely shared with the law-making

bodies of the various States of the Union. That proposition is elementary, and unless a State is willing to guarantee the sufficiency of the securities which it would compel a life insurance company to purchase, and thereby give something in return for the discretion which it would take away from Trustees, it is inviting, almost compelling, disaster. If the State should find a Trustee of any particular company forcing securities in which he was personally interested upon the Finance Committee, it could and would send him to jail. In what respect is the morality of a law compelling Finance Committees to buy securities in which the State is confessedly interested better or higher than the morality of a Trustee who uses his position for his own benefit? Then suppose that every State should enact such a law, and suppose that one of the large companies undertook to comply with all of them. What condition would that company speedily find itself in? Could responsible men then be had to act as Trustees? Would assets be safe? Would policies continue to be paid at maturity? These questions answer themselves. The States have a right to pass such laws, but they also have the right to say bluntly to a life company that it shall not transact business within its borders on any conditions. This would be the more honorable plan. To deny that this Nation is a union of States and that under the Federal compact commerce among them is to be encouraged would be more defensible than to set legislative traps in which companies may be caught.

Closely allied to this kind of legislation is the prohibition already written in the statutes of several States against removing a case from the State to the Federal Courts. There has been a good deal of discussion lately over events in North Carolina and in Alabama, involving the relation of the States and the Federal Government, but the doctrine involved in the cases against certain

railroads is not new, and life insurance has long been compelled in effect to surrender the rights guaranteed to it by the Constitution in order to transact business in some of the States. Such laws exist in North Carolina, where a company is compelled not only to agree that it will not remove to United States Circuit or District Courts any action instituted against it, but that it will not institute any action in equity in United States Courts against any citizen of that State growing out of any policy of insurance. In New York the law says that the Superintendent "shall revoke the certificate of authority" of any foreign corporation if it applies to have a case removed into the United States Courts. The same or a similar law exists in North Dakota, in California, Colorado, Illinois, Kentucky, Mississippi, Missouri, Nebraska, New Hampshire, Ohio, South Dakota, Texas, and Wisconsin. Some of these laws have been in existence for nearly thirty years.

The above States have declared in effect that the Trustees of a life insurance company in the discharge of their duty shall be denied the protection of the Federal Courts. This, or no business in these States.

Another tendency which will probably not run far is to limit by law the amount of business which a company may do. I have observed little disposition in other States to follow the bad example of New York in this respect. Of course the legislation is economically unsound. To limit the amount of business which a company may do, after having limited the cost of the business, is directly contrary to the principle that is everywhere else now so strenuously maintained, namely, that competition is the proper regulating force in business. The National Government especially is moving Heaven and earth to prevent the stifling of competition, but New York State at least maintains that beyond a certain point a life company shall not compete

for business on any terms. That company may be furnishing insurance at the lowest cost, but after furnishing a certain amount in any one year it must stand aside and let others compete for whatever remains, whatever the cost may chance to be. The State virtually says to the insurer, "You may have insurance not where you will, but where others will not."

These types of legislation are a natural outgrowth of our system of government under the Federated States. They have year by year become more aggressive. Always wrong in principle, they attracted but little attention until they have reached the point where they are not merely a burden on the policy-holders but a serious restraint upon the healthy expansion of the business. There is great danger that legislation of this kind will reach still farther, and the thoughtful man might conclude that between the inequities and iniquities of taxation, dangerous limitations on margins of safety, the denial of the right of appeal to the Federal Courts, regulation of the details of the business, further limitation upon the discretion of Trustees, and the always present question of efficient and honest management, the future development of life insurance is by no means promising.

The future of life insurance is further menaced by reform through destruction. The present peculiar conditions in the business world had their beginning in life insurance. Other lines of business are now involved. How much farther will the movement go? When will the justice of statesmanship, which would reform by conservation, take the place of the action of the politician, who thinks he has reformed when he has destroyed? Human experience teaches that it is relatively easy to arouse human passions, but in the retrospect we see that

it is a dangerous thing to do, even when it seems to be a duty. Wrongs always exist in society, in every phase of human society. Evils creep into the church, corruption creeps into politics, abuses creep into business. These things must be corrected. They always have been corrected; but again in retrospect we sometimes wonder whether the correction was not frequently more costly than the crime. A dishonest trustee should be treated as a criminal. A deliberate looter of a railroad ought to be in the penitentiary. The man who makes a great industrial combination and by means of doctored statements unloads watered stock on a poorly-informed public, putting the proceeds in his own pocket, is a modern type of highwaymen, and ought to be treated as such. But when conditions like these are shown to exist and it is shown with equal clearness, even in a period of great public excitement, that they are superficial and fugitive, when it appears that the great body of business to which they are related is sound, useful, and honestly conducted, what shall we say of the political leader who in the name of reform uses the situation to fashion a cunning plea to all the baser passions of the human heart? What offence has he committed? What shall we say of the organ of public opinion which deliberately misstates facts, garbles testimony, destroys reputations, and cultivates suspicion and hate which always lie near to the surface of human feeling and deliberately brings on a social tempest, in order to sell its wares? What shall we say of a great magazine, which, professing to put before the world a dispassionate review of life insurance and life insurance companies, refuses to see responsible life insurance men, apparently from fear that the truth in possession might deprive its article of certain sensational features?

To-day the people are in a punitive mood. Will they, as they have done many times before, go on striking blindly?

Will they overturn and overturn, working a destruction more deadly than the evils at which they rage; or, has our citizenship, with more light and liberty, and more self-restraint and a finer sense of responsibility, reached the point where in spite of the ever-present politician, in spite of the panders of the press, reforms can be had rationally and constructively, but yet effectively?

Historically there are two types of abuses in social, economic, and political life. The first represents real moral decadence, and has generally been associated with long and unquestioned exercise of irresponsible power. The second has attached to periods of great material progress and development, periods when society has been relatively free from decadence in any form, periods of general optimism, periods of real achievement. We are now at what seems to be the close of such a period. We have had a prodigious growth: great plans have been undertaken; great things have been done. Many things have been done hastily, and consequently not done well. We had here an opportunity which touched the imagination of all men, and we so improved the opportunity as to push our empire from the Atlantic littoral to the Pacific and beyond it in a little over a century. In every phase of this development there was the ever-present opportunity for abuses, excesses, cruelties, and wrongs. The evils which exist in the business of this country today are substantially all of this type. They are the evils which go with accomplishment, and not the evils of decadence. They are evils which can be remedied without the hideous destruction that throughout the history of the world has characterized most periods of reformation. We have started out on a familiar road. Reform has begun with the ancient accompaniment of sickening destruction; but I refuse to believe that it will go on to the historic finish. In spite of the torch and the red flag

which are in effect at the head of the first page of every yellow sheet, there is reason to believe that our citizenship has a better self-control, a fairer valuation of the demagogue and the fanatic, and, while insisting on drastic and permanent changes, will finally bring those changes about by better processes.

Just as there have been two types of abuses in society so there have been two types of reformers. The more numerous type has been the reformer whose only weapon was destruction. But there have been reformers who saved and restored, and there have been reformations which were effective and entirely constructive. The destructive type of reformer has occupied the larger place in the public mind, and still does so. His appeal is immediate and dramatic. He touches something in human nature which quickly responds. If he has qualities of real leadership, he easily becomes a terror. There are always enough abuses in society to furnish material with which to start a blaze, and sometimes the material is abundant. On the present occasion, this co-called reformer pleads after this fashion:

"Business is corrupt through and through. Irretrievable ruin is at hand. The only way to save the situation is to strike and burn and destroy."

Of course, his are not talents of a high order. But through politics and through his appeal to the fears and prejudices of men this species of reformer frequently finds himself in positions of great power, where he usually works great injury. It will be interesting to cite a few historical instances of these two types of reform: by destruction and by construction.

After the Church of England had supplanted the Catholic Church in England injunctions were issued for the general purification of the churches. This is Froude's description of what followed:

"Spoiliation became the law of the land. The statues crashed from their niches, and rood and roodloft were laid low, and the sunlight stared in white and stainless upon the whitened aisles. * * * The superstition which had paid an overdue reverence to the symbols of holy things was avenged by the superstition of as blind a hatred."

Tytler, in his history, recites a specific instance. He tells us how John Knox preached at Perth a sermon which so wrought on the minds of his audience that it broke down the walls of St. Andrew's Cathedral, overturned the altars, destroyed the images and almost tore the priests to pieces.

Speaking of the conditions under Cromwell, Macaulay says:

"Churches and sepulchres, fine works of art, and curious remains of antiquity were brutally defaced. The Parliament resolved that all pictures in the royal collection which contained representations of Jesus or of the Virgin Mother should be burned. Sculpture fared as ill as painting. Nymphs and Graces, the work of Ionian chisels, were delivered over to Puritan stone-masons to be made decent."

Fisher, in his history of the Reformation, in describing the conditions in the Netherlands, says:

"While the country was thus agitated, in the Summer of 1566, there burst forth a storm of iconoclasm that swept over the land, destroying the paintings, images, and other symbols and instruments of Catholic worship, from those which adorned the great cathedral of Antwerp to such as decorated the humblest chapels and convents. In Flanders alone more than four hundred churches were sacked. The work of destruction was accomplished by mobs hastily gathered, and was one fruit of the excitement and exasperation provoked by the terrible persecutions."

The most striking and relatively modern example of

reformation by destruction is what we call the French Revolution. No history of those days which will endure has yet been written. The passions aroused were too elemental, and the result which followed was too far-reaching. But whereas the opinion of the times, even in the face of the atrocities committed, to a very considerable degree justified the uprising and its acts, the opinion of the world is now decidedly divided, and the conviction is widely held that liberty was really destroyed faster than it was gained.

If we had no historical instances of reform by construction, equally striking and equally important, we might in despair conclude that destruction is the only method of reform when certain types of abuses appear. But the two greatest and most salutary revolutions in the history of England were brought about without destruction and without the service of so-called reformers. One was the revolution which in the thirteenth century put an end to the tyranny of nation over nation, and the other the revolution which a few generations later put an end to the property of man in man. "These revolutions were effected silently and imperceptibly", says Macaulay. "They struck contemporary observers with no surprise, and have received from historians a very scant measure of attention. They were brought about neither by legislative regulation nor by physical force. Moral causes noiselessly effaced the distinction between Norman and Saxon, and then the distinction between master and slave."

If human slavery could be abolished in England without the use of force and without waste, might not John Knox have carried out his ideas of reform in religion and have preserved for the edification and instruction of the world the splendid structure which was torn

into pieces in response to the fury of his appeal? Was the destruction wrought inevitable, necessary, or might the tragedy of St. Andrews have been avoided if John Knox had been a statesman? Could the story of the French Revolution have been written differently if only the leaders had been wiser? Might not the unspeakable woe and loss of our own Civil War have been avoided if the American people—both North and South—had been imbued with the spirit of reasonableness, of consideration for the difficulties of the situation, and with a determination to solve their problems without injustice and without violence? Might not the almost equally dreadful story of the years immediately following the Civil War have been vastly different if the *doctrinaire* Charles Sumner and the practical politician Thad Stevens, obeying an historic impulse, had not dominated the situation, by acting together to give the uneducated black man the right of franchise, one following a beautiful theory, and the other desiring to perpetuate his party in power? The condition which brought together types of men so far removed as Sumner and Stevens probably could have been handled by only one man, and he was slain by John Wilkes Booth.

But whatever could have happened or could not have happened in any of the great reforms of history, it is certain that the destructive reformer is passing, and that reform by construction is coming. It will never again be possible, for example, for an ignorant and brutalized Turk to improve his marksmanship by using as a target the masterpieces of a Phidias on the frieze of a Parthenon. It will never again be possible, outside the arbitraments of war, and probably not even then, for churches to be sacked, exquisite creations of art destroyed, and almost endless murder committed in the name of reform. But the reformer is still with us. Human

progress will still be gained in much the same way. Human progress is still to be gained only by struggle. This country is now in the midst of a struggle that is as old as civilization. The problems are different, and the solution of the problems let us hope will be different. In the present struggle, the first interest which became involved was the one which is largely committed to the care of the men who make up this convention. There are not lacking evidences that we have still with us two types of reformers, the reformer who would destroy and the reformer who would correct and fulfil.

Putting aside any consideration of what might have been or might not have been, what an achievement for statesmanship it would have been if England had been reformed without cutting off the head of Charles I, and then again in a few years restoring the monarchy. What an achievement in life insurance statesmanship it will be if under your wise and constructive supervision the superb structure of American life insurance can be purified and preserved with all its potentialities, can be conserved and developed, and its future governed by publicity and optimism, not by repression and volumes of laws written full of "thou shalt not".

At the risk of being classified with those who would ignore the local rights of the States, I emphasize the fact that you cannot wisely supervise life insurance unless you ignore to a large extent your own State lines and assume toward it an attitude which is fixed by National considerations. The fact that you are here and that you assemble each year to discuss the problems which you must handle, to discuss forms of reports, forms of statutes and rules of practice, all show that you already have this point of view. You have found it impossible to administer justly the duties of your office without regard to the rights of the policy-holders in all the States, and in all

the countries of the world. As officials you represent an idea which is the same and an interest which is the same in all lands.

I have considered briefly some dangerous types of legislation which you in your high places will have to combat. I have briefly referred to existing conditions and the struggle through which all kinds of business of importance are now passing. I have not asked you to forward any particular type of legislation. Indeed life insurance has seldom asked for legislation of any kind. But there is a condition existing to-day to which you can with great profit to the general public and to good life insurance devote some consideration. The close of 1906 showed outstanding on the books of the regular level premium American life insurance companies nearly a billion dollars less insurance in force than would have been in force if the rate of development and progress shown by the companies at the close of 1904 had been maintained during the succeeding two years. In making up the gain and loss of the last two years this tremendous item must have attention. It consists of positive and negative waste: positive waste in the hundreds of millions of business lost, negative waste in other hundreds of millions not created. Waste may consist of things not done. Fear is waste. Doubt is waste. Spread a general condition of distrust throughout business and the results may be as deadly as those which attend fire, flood and earthquakes. A general paralysis of the agencies that make for good means widespread destruction. That condition to some extent exists to-day in general business and markedly so in life insurance. I refer to it not to argue as to whether the reforms had and those coming balance the account, but to ask your aid against the work of certain companies and certain men who are waxing fat on this

condition. These companies and this type of soliciting agent are of kin to those eminently respectable ladies and gentlemen who looted the Imperial Palace in Pekin during the recent invasion of China by the Allied Armies. They are busy now looting, taking advantage of the public temper to raid and destroy. The "Twister", whether he carries a rate-book and glories in his shame or governs a company and quibbles when protest is made, is an enemy of society, and legislation against him may well demand your attention.

Another danger—a present and serious danger—has only lately begun to assert itself, and is the natural outgrowth of the remarkable success of companies conducted on the mutual plan. The great accumulations of money which are necessary to solvency, which the States demand, and which you must insist on, require that Trustees shall be vigilant, efficient, and honest, but, in theory at least, the control of hundreds of millions carries with it great power. This presents an opportunity for high public usefulness, and it also presents opportunities of a different sort,—opportunities to men who have no interest in life insurance, who are not appealed to by its beneficence, who care nothing whatever for its service to the State, who look covetously upon it because of its accumulation of money. If "patriotism is the last refuge of a scoundrel", may not reform in life insurance be the opportunity for the conscienceless manipulator? The assets of two mutual companies alone amount to over one billion dollars to-day. The control of these companies is decided by the franchise of their constituent members. What an opportunity for the demagogue! What a field for the insurance politician! I am well within the facts which have come under your own observation when I say that the insurance politician has begun to make himself heard. In the name of reform,

taking advantage of public passion, of serious mistakes, and of probable crimes, he has already made a definite and powerful effort to get control. He doubtless has not made his last effort. He will never succeed against the judgment of the men who make up the membership of this Convention. I am inclined to think that here lies your supreme responsibility in the immediate future.

It may be your clear duty at some time to use all the power you have as representatives of the various States of the Union to help cast out dishonest administrations of mutual companies. If that situation should arise, you will perform your duty and perform it fearlessly. But it will always be your duty,—not now and then but always,—to exercise a wise discrimination, to see that reform is not done by violence, to see that in turning out unworthy men you do not invite in others infinitely worse. The danger that mutual insurance will fall into the hands of politicians is a very real one. If I did not believe that the Insurance Commissioners of the States of the Union were alive to this situation, and that they will stand like flint against the schemes of the politician and the manipulator, I should not be able to cast a cheerful horoscope to-day. But you know, and I know, that bad as some of the conditions have been, the great body of life insurance is sound and honest. Do I overstate the truth if I claim that 98% of the men responsible for the growth of mutual life insurance are worthy of your confidence, and that even at its worst not more than 2% have deserved your reprobation and condemnation? If that be true under conditions which were developed in the recent life insurance upheaval, it will continue true for a long period of time. And I take it that it is fully as much your duty to your State and the policy-holders in your State to support and aid the honest men who have devoted their lives to the construction of our great companies as it is to con-

demn those who have been unfaithful. This I believe you will do. And so my horoscope must be an optimistic one.

There are dangers ahead, grave dangers: in the local as against the national view; in taxation; in further and in existing limitations on funds held for contingencies and safety; in added paternalistic enactments; in further attempts by the State to regulate the details of business by statute; in the natural desire to control the funds which life insurance must have; in inefficient and dishonest administration. But as against all this there is the appeal which life insurance makes to the best in human affection and in society. There is the safeguard of publicity, and there is the strong probability that we have at last achieved a citizenship which can reform by destroying only that which ought to be destroyed. Given the supervision of a body of men like this, with administration which lives and moves in the sunlight, and we shall not long hear or heed the voice of the man who cries out against life insurance because it has been too successful. We shall not listen long to the man who says the companies are too big. In retrospect how splendid now seems the courage of Robert Livingston and James Monroe, who bought from the great Napoleon without any authority whatever the territory then known as Louisiana, out of which has since been erected that magnificent series of commonwealths lying along and to the west of the Mississippi. Yet against them and what they did the same voice was raised and the same fear was invoked. Josiah Quincy even went so far as to say that the bonds between the States had been severed by that purchase. People were told that the country was becoming too large; that so vast a territory could not be handled under our form of government; that the original Thirteen States would be overwhelmed. Yet with the exception of one or two men,

who are remembered for other things, those who raised the cry are forgotten, and the country has swept on to the fulfilment of its destiny. So in my judgment will be buried the names and the memories of the men who have gone up and down the land during the last two years crying out against the development of American life insurance.

Let those who will rejoice in destruction. We are optimists. We believe in our country, in its institutions, in its future. We do not fear wealth; we welcome all the forces that produce it and conserve it. We would purify corporate life, not throttle it; moralize wealth, not prevent it. We will so far as we wisely can pluck the tares from the growing wheat, but we remember, too, that in some cases and to some extent we must heed the admonition of the Great Teacher who said—"Nay; lest while ye gather up the tares, ye root up also the wheat with them."

The future of American life insurance is as certain as the future of American civilization. If it fails, civilization will fail. But it will not fail. It lies too close to the hearts and homes of the people. It is too firmly and too scientifically established. It must go on because conjugal and parental affection will go on. It is as truly a part of this age as cathedral building was of an earlier age. It fits into the plans of a busy world, and this is a very busy world. Life is more productive, more generous, more effective, sweeter, happier; values are more certain; securities more abundant and better than ever before. All of these things make life insurance as inevitable as organic life under the conditions which exist on this planet. American life insurance, with all its faults, has seen the opportunity and the need and has splendidly answered both. Therefore, it must go on: business demands it; good morality demands it; the individual demands it; the State demands it; civilization demands it.

MEMORANDUM A.

Market Rate of the following Securities July 1, 1905, as Compared with July 1, 1907.

	July 1, 1905.	July 1, 1907.	Loss Points
British Consols, 2½s	86⅞ & int.	81⅞ & int.	5
Mass. State 3s, 1915-1939	95⅝ "	90⅞ "	4½
N. Y. City 3½s, 1954	100⅞ "	89½ "	11⅜
Atch., Top. & S. F. Gen'l 4s, 1995	102¾ "	97 "	5¾
B. & O. 1st 4s, 1948	104 "	97¾ "	6¼
C., B. & Q., Ills. Div., 3½s, 1949	95⅞ "	87¾ "	8⅛
Chic. & No. West'n Debs. 5s, 1921	111 "	103 "	8
Chic., St. P., Minn. & O. Cons. 6s, 1930	136¼ "	125¾ "	10½
Ills. Central, St. Louis Div. 3½s, 1951.	92⅞ "	87¼ "	5⅝
Ills. Central, Louisville Div., 3½s, 1953.	94¼ "	87¼ "	7
Lake Shore & Mich. So. 1st 3½s, 1997.	99⅝ "	91¼ "	8⅜
Louis. & Nash. Unified 4s, 1940	103⅛ "	97 "	6⅛
Mich. Cent. 3½s, 1952	96⅝ "	90¼ "	6⅜
Nash., Chat. & St. L. 7s, 1913	119¼ "	113⅞ "	5⅜
N. Y. C. & H. R. 4s, 1934	100½ "	91½ "	9
N. Y. & Harlem 3½s 2000	101 "	96½ "	4½
Norfolk & W., 1st Cons., 4s, 1996	101½ "	92⅞ "	8⅝
Penn. R. R. Convertible 3½s, 1915	100⅝ "	89 "	11⅝
Pitts.,Cin.,Chic.& St.L.,Ser.A,4½s,1940.	111⅜ "	106⅛ "	5¼
St.Louis & San Francisco Gen'l 6s,1931.	127⅛ "	117½ "	9⅝
St. P., Minn. & Man. 1st Cons. 6s, 1933.	135 "	127 "	8
Southern Ry. 1st Cons. 5s, 1994	118⅛ "	105⅛ "	13
Union Pacific 4s, 1947	105¼ "	99 "	6¼
Lake Sh. & Mich. So. Ry. Debs.,4s,1928.	99¾ "	91½ "	8¼
No. Pac., Gt.No., C.,B.& Q. Coll.4s, 1921.	101 "	92⅞ "	8⅛

MEMORANDUM B.

Taxes Paid by the New-York Life Insurance Company in 1906.

ALABAMA.—Total taxes, $6,976.18, made up as follows: On Premiums @ 1% gross, $5,771.50; State Fees, $139.50; Agents' Licenses—State, $185.50, Local, $847.75; City premium-tax, $22.97; Personal property tax, $8.96. Total premiums collected in 1905, $577,150. Per cent. of taxes to premiums, 1.21.

ALASKA.—Total taxes, $62.60, made up as follows: Fees, 10c.; Agents' Licenses, $62.50. Total premiums, $74,729. Per cent. of taxes to premiums, 0.08.

ARIZONA.—Total taxes, $4,962.71, made up as follows: On Premiums @ 2% gross, $4,822.74; State License, $5; State Fees, $7.50; Personal property tax, $15.47; Agents' Licenses—Territorial, $62, Local, $50. Total premiums, $241,137. Per cent. of taxes to premiums, 2.06.

ARKANSAS.—Total taxes, $7,132.80, made up as follows: On Premiums, less losses, endowments and commissions @ 2½%, $6,890.45; State License, $2; State Fees, $55; Agents' Licenses—State, $182; Personal property tax, $3.35. Total premiums, $444,016. Per cent. of taxes to premiums, 1.61.

CALIFORNIA.—Total taxes, $20,842.53, made up as follows: On Premiums @ 1% gross, $19,968.31; State License, $20; State Fees, $104.75; Personal property tax, $311.47; Agents' Licenses—State, $131, Local, $307. Total premiums, $1,996,831. Per cent. of taxes to premiums, 1.04.

COLORADO.—Total taxes, $15,301.92, made up as follows: On Premiums @ 2% gross, $14,271.44; State License, $5; Corporation License, on premiums @ 1/10% gross, $713.57; State Fees, $69.05; Personal property tax, $78.86; Agents' Licenses—State, $164. Total premiums, $713,572. Per cent. of taxes to premiums, 2.14.

CONNECTICUT.—Total taxes, $6,181.26, made up as follows: On Premiums @ 1% gross, $6,137.26; State License, $10; State Fees, $34. Total premiums, $613,726. Per cent. of taxes to premiums, 1.

DELAWARE.—Total taxes, $1,187.35, made up as follows: On Premiums @ 1½% gross, $1,013.35; State License, $27; State Fees, $17; Agents' Licenses—State, $130. Total premiums, $67,557. Per cent. of taxes to premiums, 1.76.

DISTRICT OF COLUMBIA.—Total taxes, $5,118.58, made up as follows: On Premiums, less dividends, @ 1½%, $4,943.41; District licenses, $60; District fees, $21; Agents' licenses, $94.17. Total Premiums, $342,085. Per cent. of taxes to premiums, 1.50.

FLORIDA.—Total taxes, $10,856.59, made up as follows: On Premiums @ 2% gross, $10,034.84; State and county licenses, $235.25; State fees, $13.75; Agents' licenses—State, $260, local, $315.50. Total premiums, $501,742. Per cent. of taxes to premiums, 2.16.

GEORGIA.—Total taxes, $11,480.38, made up as follows: On Premiums @ 1% gross, $8,048.77; State license, $1; State fees, $83.20; Personal property tax, $26.13; Agents' licenses—State, $1,066, local, $600; City and county taxes, $1,668.28. Total Premiums, $804,877. Per cent. of taxes to premiums, 1.43.

IDAHO.—Total taxes, $4,427.93, made up as follows: On Premiums, less death-losses @ 2%, $4,173.68; State license, $50; State fees, $29.25; Agents' licenses, $175. Total Premiums, $254,849. Per cent. of taxes to premiums, 1.74.

ILLINOIS.—Total taxes, $61,808.23, made up as follows: On Premiums @ 1% gross, $59,797.91; State fees, $193.75; Personal property tax, $782.57; Agents' licenses—State, $1,034. Total Premiums, $5,979,791. Per cent of taxes to premiums 1.03.

INDIANA.—Total taxes, $27,344.52, made up as follows: On Premiums less death-losses, @ 3%, $26,863.35; State license, $5; State fees, $78.50; Personal property tax, $32.67; Agents' licenses—State, $365. Total Premiums, $1,182,638. Per cent. of taxes to premiums, 2.31.

IOWA.—Total taxes, $26,203.09, made up as follows: On Premiums @ 2½% gross, $25,923.89; State license, $2; State fees, $20; Personal property tax, $29.20; Agents' licenses, $228. Total Premiums, $1,036,956. Per cent. of taxes to premiums, 2.53.

KANSAS.—Total taxes, $14,420.90, made up as follows. On Premiums @ 2% gross, $13,956.16; State fees, $102.50; Personal property tax, $2.99; Agents' licenses—State, $208, local, $151.25. Total Premiums, $697,808. Per cent. of taxes to premiums, 2.07.

KENTUCKY.—Total taxes, $20,228.47, made up as follows: On Premiums @ 2% gross, $18,146.13; State license, $1; State fees, $43.30; Personal property tax, $123.27; Agents' licenses—State, $455, local, $581.50; city and county taxes, $878.27. Total Premiums, $907,306. Per cent. of taxes to premiums, 2.23.

LOUISIANA.—Total taxes, $11,183.25, made up as follows: State license, $5,260; State fees, $29.25; Personal property tax, $20; Agents' licenses—State, $244, local, $5,630. Total Premiums, $1,241,300. Per cent. of taxes to premiums, 0.90.

MAINE.—Total taxes and fees, $4,821.50, made up as follows. On Premiums @ 1½% gross, $4,709.50; State license, $20; State fees, $6; Agents' licenses—State, $86. Total Premiums, $313,967. Per cent. of taxes to premiums, 1.54.

MARYLAND.—Total taxes, $11,403.16, made up as follows: On Premiums @ 1½% gross, $10,691.85; State license, $200; State fees, $219.13; Personal property tax, $42.18; Agents' licenses—State, $150. Total premiums, $712,790. Per cent. of taxes to premiums, 1.60.

MASSACHUSETTS.—Total taxes, $33,732.59, made up as follows: On reserve @ ¼%, $32,856.24; State fees, $36; Personal property tax, $28.35; Agents' licenses—State, $812. Total Premiums, $2,764,918. Per cent. of taxes to premiums, 1.22.

MICHIGAN.—Total taxes, $25,472.27, made up as follows: On Premiums @ 2% gross, $25,445.20; State fees, $14.50; Personal property tax, $12.57. Total Premiums, $1,272,260. Per cent. of taxes to premiums, 2.

MINNESOTA.—Total taxes, $18,446.64, made up as follows: On Premiums @ 2% gross, $18,105.65; State license, $2; State fees, $138.41; Personal property tax, $6.58; Agents' licenses—State, $194. Total Premiums, $905,283. Per cent. of taxes to premiums, 2.04.

MISSISSIPPI.—Total taxes, $3,829.97, made up as follows: On Premiums @ 2% gross on first year's premiums, 0.1% gross on renewals, $2,520.81; State license, $250; State fees, $29.50; Agents' licenses—State, $158, local, $871.66. Total Premiums, $439,450. Per cent. of taxes to premiums, 0.87.

MISSOURI.—Total taxes, $50,121.57, made up as follows: On Premiums @ 2% gross, $48,877.99; State license, $5; State fees, $86.06; Personal property tax, $187.02; Agents' licenses—State, $556, local, $409.50. Total Premiums, $2,443,900. Per cent. of taxes to premiums, 2.05.

MONTANA.—Total taxes, $12,855.77, made up as follows: On Premiums @ 2½% gross on first $5,000 and 2% on excess, $7,400.65; State fees, $43; Agents' licenses—State, $140, local, $30; city and county taxes on Premiums less death-losses and endowments, $5,242.12. Total premiums, $370,000. Per cent. of taxes to premiums, 3.47.

NEBRASKA.—Total taxes, $9,557.89, made up as follows: On Premiums @ 2% gross, $9,322.66; State license, $2; State fees, $27; Personal property tax, $60.23; Agents' licenses—State, $146. Total Premiums, $466,133. Per cent. of taxes to premiums, 2.05.

NEVADA.—Total taxes, $145.25, made up as follows: State license, $100.25; State fees, $20; Agents' licenses—local, $25. Total Premiums, $138,792. Per cent. of taxes to premiums, 0.11.

NEW HAMPSHIRE.—Total taxes and fees, $2,133.91, made up as follows: On Premiums @ 1% gross, $1,982.41; State licenses, $5; State fees, $24.50; Agents' licenses—State, $122. Total Premiums, $198,241. Per cent. of taxes to premiums, 1.08.

NEW JERSEY.—Total taxes, $10,544.82, made up as follows: On Premiums @ 1% gross, $10,242.81; State fees, $26.75; Personal property tax, $39.26; Agents' licenses—State, $236. Total Premiums, $1,024,-281. Per cent. of taxes to premiums, 1.03.

NEW MEXICO.—Total taxes, $3,175.77, made up as follows: On Premiums @ 2% gross, $3,064.27; State license, $2; State fees, $72.50; Agents' licenses—State, $26, local, $11. Total Premiums, $153,214. Per cent. of taxes to premiums, 2.07.

NEW YORK.—Total taxes, $126,736.49, made up as follows: On Premiums @ 1% gross, $124,428.39; State fees, $1,331.60; Agents' licenses—State, $976.50. Total Premiums, $12,442,839. Per cent. of taxes to premiums, 1.02.

NORTH CAROLINA.—Total taxes, $9,263.67, made up as follows: On Premiums @ 2½% gross, $8,890.42; State license, $250; State fees, $39.25; Agents' licenses—State, $84. Total Premiums, $355,617. Per cent. of taxes to premiums, 2.6.

NORTH DAKOTA.—Total taxes, $10,269.61, made up as follows: On Premiums @ 2½% gross, $9,815.98; State license, $2; State fees, $348; Personal property tax, $51.63; Agents' licenses—State, $52. Total Premiums, $392,639. Per cent. of taxes to premiums, 2.62.

OHIO.—Total taxes, $61,859.36, made up as follows: On Premiums @ 2½% gross, $60,884.21; State license, $2; State fees, $313.96; Personal property tax, $201.19; Agents' licenses—State, $458. Total Premiums, $2,435,368. Per cent. of taxes to premiums, 2.54.

OKLAHOMA AND INDIAN TERRITORY.—Total taxes, $216.43, made up as follows: State license, $25; State fees, $61; Personal property tax, $10.88; Agents' licenses—State, $90, local, $12.50; city and county taxes, $17.05. Total Premiums, $483,007. Per cent. of taxes to premiums, 0.04.

OREGON.—Total taxes, $3,662.26, made up as follows: On Premiums less Policy-claims @ 2%, $3,447.76; State license, $100; State fees, $14.50; Agents' licenses—State, $100. Total Premiums, $277,699. Per cent. of taxes to premiums, 1.32.

PENNSYLVANIA.—Total taxes, $94,376.32, made up as follows: On Premiums @ 2% gross, $93,209.52; State license, $2; State fees, $91.80; Agents' licenses—State, $1,002, local, $71. Total Premiums, $4,660,476. Per cent. of taxes to premiums, 2.03.

RHODE ISLAND.—Total taxes, $6,057, made up as follows: On Premiums @ 2% gross, $5,938; State fees, $53; Agents' licenses—State, $66. Total Premiums, $296,900. Per cent. of taxes to premiums, 2.04.

SOUTH CAROLINA.—Total taxes, $10,925.62, made up as follows: On Premiums @ 1½% gross, $2,396.69; State license, $100; State fees, $3.50; Personal property tax, $7.26; Agents' licenses—local, $1,031.34; city and county tax on Premiums, $7,386.83. Total Premiums, $479,338. Per cent. of taxes to premiums, 2.28.

SOUTH DAKOTA.—Total taxes, $5,848.41, made up as follows: On Premiums, @ 2½% gross, $5,575.14; State license, $2; State fees, $164; Personal property tax, $11.27; Agents' licenses—State, $96. Total Premiums, $223,005. Per cent. of taxes to premiums, 2.62.

TENNESSEE.—Total taxes, $16,458.41, made up as follows: On Premiums less dividends reducing premiums, @ 2½%, $15,916.41; State Fees, $38.50; Agents' licenses—State, $503.50. Total Premiums, $639,608. Per cent. of taxes to premiums, 2.57.

TEXAS.—Total taxes, $51,094.18, made up as follows: On Premiums @ 2¼% gross, $50,105.70; State fees, $60.15; Personal property tax, $259.83; Agents' licenses—State, $75, local, $518.50. Total Premiums, $2,226,920. Per cent. of taxes to premiums, 2.29.

UTAH.—Total taxes, $6,039.16, made up as follows: On Premiums @ 1½% gross, $5,776.97; State license, $5; State fees, $87.50; Personal property tax, $15.69; Agents' licenses—State, $129, local, $25. Total Premiums, $385,131. Per cent. of taxes to premiums, 1.57.

VERMONT.—Total taxes, $5,932.64, made up as follows. On Premiums less dividends, @ 2%, $5,747.39; State license, $5; corporation tax, $50; State fees, $22.25; Agents' licenses—State, $108. Total Premiums, $311,461. Per cent. of taxes to premiums, 1.9.

VIRGINIA.—Total taxes, $9,297.40, made up as follows: On Premiums @ 1% gross and corporation tax @ 0.1% gross, $6,829.74; State license, $200; State fees, $114.60; Personal property tax, $9.96; Agents' licenses—local, $1,271.75; city and county taxes, $128.85. Total Premiums, $620,965. Per cent. of taxes to premiums, 1.5.

WASHINGTON.—Total taxes, $12,634.56, made up as follows: On Premiums less death-losses, @ 2%, $12,264.09; State license, $10; State fees, $80; Personal property tax, $28.47; Agents' licenses—State, $252. Total Premiums, $770,271. Per cent. of taxes to premiums, 1.64.

WEST VIRGINIA.—Total taxes, $3,192.63, made up as follows: On new Policies @ $1.50 per $1,000, $2,822.13; State license, $5; State fees, $30.50; Agents' licenses—State, $335. Total Premiums, $381,416. Per cent. of taxes to premiums, 0.84.

WISCONSIN.—Total taxes, $12,105.70, made up as follows: On Premiums @ 1% gross, $11,914.70; State fees, $25; Agents' licenses—State, $166. Total Premiums, $1,191,470. Per cent. of taxes to premiums, 1.02.

WYOMING.—Total taxes, $4,249.15, made up as follows: On Premiums @ 2½% gross, $4,205.15; State license, $25; State fees, $4; Agents' licenses—State, $15. Total Premiums, $168,206. Per cent. of taxes to premiums, 2.53.

INSURANCE:

What Should be the Attitude Toward It of the State of Oklahoma?

An Address before the 18th Session of the Trans-Mississippi Commercial Congress, at Muskogee, Oklahoma, November 20, 1907

THE union of a man and a woman in marriage—which adds another family to the State—and the birth of a child—which adds another member to the family—are events which have perpetual and romantic interest. Whether we consider the entrance of Oklahoma into the sisterhood of States as the setting up of an independent household by a newly-married couple or as the birth of a child into the family of Uncle Sam, it is an event that calls for good wishes and sincere congratulations on the part of the other households and other members of the family. It reminds us too how intimately the admission of new States has been connected with great events in the history of the Republic.

The first State to be added to the Original Thirteen was my own native State—Vermont—which had been an independent republic for fourteen years previously. Her

admission to the Union in 1791 settled a quarrel between New York and the inhabitants of the New Hampshire Grants which antedated the Revolution, which had caused frequent collisions between the authorities of the two sections and had on one occasion led to actual bloodshed. The admission of Kentucky settled the question of the relation of Virginia to the vast hinterland which she almost single-handed had rescued from the control of the Indians and of the British Government, and out of which so many commonwealths have since been constituted. She gave up to Congress her claim to the territory northwest of the Ohio in 1784, and the next year she authorized the inhabitants of what is now Kentucky to consider the formation of an independent government. This led to the admission of Kentucky to the Union in 1792. The admission of Tennessee settled for North Carolina a similar controversy, which had already led to a rebellion and the organization of the State of Franklin. This State maintained a precarious existence for four years, and her Governor, General John Sevier, after being tried for treason, became the first Governor of Tennessee. The admission of Missouri marked the first great debate upon the extension of slavery, and the compromise under which it became a member of the Union postponed as well as foreshadowed the armed conflict over the same question forty years later. The admission of Texas brought on the Mexican War, and added California, Nevada, Utah, and all of Colorado lying west of the Rocky Mountains, to the national domain. The discussion concerning the admission of Kansas and Nebraska revived the anti-slavery controversy and led to the Civil War. The admission of Oklahoma marks another era in our national history,—little thought of because not attended with clamor and bloodshed,—namely, the final act in the settlement of the relation between the original inhabitants of this country and those who have settled it and subdued it. In Oklahoma

the tribal organization of the Indians who were domiciled here has been finally broken up and the Indian is at last a man and a citizen.

The transformation of a Territory into a State and the solution of the problems by which that transformation has generally been marked have not added directly to the wealth or prosperity of the people. These events have created conditions under which the forces and agencies which make for good could operate to advantage. The people of Vermont, of Kentucky, of Tennessee, of Missouri, of Texas, of Kansas and Nebraska, were benefited by their admission to the Union, and the Union was made stronger by their admission, because certain perplexing questions were thereby settled, certain obstacles to the maintenance of order, to the administration of justice and to the free play of industrial and moral forces were removed. The admission of Oklahoma has not increased her natural resources, nor added a man to her population or a dollar to her capital,—but it has removed certain obstacles to the development of her resources, and as a result will enable her people to employ their energies and their capital to better advantage. You are now free to do and to seek, within the limits of your State, those things for which your Constitution was ordained and established,—to secure and perpetuate the blessings of liberty, to enjoy the gains of your own industry, and to promote your own welfare and happiness.

The significance of this meeting of delegates from the Trans-Mississippi States in this new State of Oklahoma at this time lies in its bearing on the future. Obstacles have been removed and favorable conditions have been established, but the great things—the upbuilding of the State, the increase in material wealth and in moral power—are yet to be done. You have come together to consider how to do some of them in the most advantageous manner.

The theme assigned to me is Insurance, and at this point I ask "How is insurance related to the prosperity of Oklahoma and the Trans-Mississippi country, and what place should it have in the general scheme of your material and moral development?" I answer that good insurance is a necessity to the prosperity of this new State, that it is performing a most important function in the business development of the Trans-Mississippi country, and, if fostered and fairly protected, it can and will perform a further service the extent and value of which cannot now be foreshadowed. The story of all the older States in the Trans-Mississippi country is in general terms about to be repeated in Oklahoma. Your people have come into this country with strong arms and stout hearts and with a few hundred or a few thousand dollars in money. These constitute your capital, and it is for the protection of this capital against loss by death and by fire that insurance is in a general way designed. If one of your citizens puts all his money into a building and the building burns, he will suffer heavy loss and be severely handicapped for some time to come unless this building is insured. Uncovered, the loss will indirectly affect the community in which that man lives. If he dies prematurely and dies uninsured, his family will suffer heavy loss and be severely handicapped for some time to come; and the State may be subjected to considerable expense as a consequence. I suppose if any one were to ask the first half dozen men he met on the streets of Muskogee, "What is Oklahoma's greatest need?" at least five of them would say "Capital." And if you asked the same number "What is the best thing in Oklahoma?" they would all say "Its people." If then human life and capital are the most important things in the State, a system that protects individuals and families from the loss of these should have a high place among the forces that will make for your upbuilding as a State.

What will be your attitude toward insurance? Will you treat it as an ally and protector? Will you disregard or will you follow the patchwork legislation of most of the States of the Union? Will you regard it as a real servant of the State, to be wisely controlled and justly treated? Or will you regard it as an interloper, an enemy to be harried by restrictions and burdened with taxation? Will you see that it is sound and honest, and then encourage your people to make use of it? Or will you turn its administration over to the political demagogue and discourage its use by the people, through legislation which morally at least treats it as an undesirable business, and makes every man pay an unusual and burdensome tax who has anything to do with it?

In an address which I had the honor to make before the National Convention of Insurance Commissioners in Richmond in September, I was moved to say this:

"Assuming competent and honest management, the greatest menace to the future of American life insurance lies in an increasing tendency on the part of the various States of the Union to treat life insurance as a local question, and to legislate from a local view-point."

I call attention just here to the program of subjects discussed and to be discussed at this convention. The proclamation of the Governor says:

"This session is called at Muskogee in the interest of improved navigation upon the Arkansas River with the ultimate result that there shall be deep water to the Gulf."

Farther reading of the program shows such topics as these—a Parcels Post bill, a Federal Department of mines and mining, the South American trade, continued appropriations for rivers and harbors in Texas, on the Pacific slope and at Honolulu.

In other words, this Congress wishes legislation by the National Government for the removal of various

barriers to commerce, and Oklahoma wishes their removal also. You would like to load the produce of your fields, your mines and your factories upon boats here and have them go to New Orleans without breaking bulk. You would like to have a free interchange of small articles from all over the country by means of the United States mail. You would like to have your mines brought under the supervision of Federal laws.

Very well; I agree with you that these are not local questions and cannot properly be legislated upon as local questions.

How about insurance? Is that a local question? If not, how can you best advance the extent and quality of its service? Insurance, whether conducted on the mutual plan or otherwise, always represents the use of capital, and capital is always easily alarmed. Should you, therefore, surround the business with a multitude of artificial restrictions and burden it with taxes? Or, should you seek to remove obstacles, to demand publicity and responsibility and the "square deal".

Let us glance briefly at the tendencies in the other States as indicated by recent legislative action and note some of the results. During the summer and fall of 1905 we had an investigation of life companies in the State of New York, and during the following winter the New York Legislature enacted some very drastic laws respecting life insurance. Most of this legislation pertained to companies organized within the State, while a few provisions were made binding upon any life company doing business within the State. That was less than two years ago. At the last meeting of the Actuarial Society of America a paper was read by Mr. E. E. Rhodes, of the Mutual Benefit Life Insurance Company of New Jersey, reviewing the legislation had upon the regulation of life insurance by other States since the passage of the Armstrong laws in New York.

This review is made by subjects, so that where two or more States have the same provisions on the same subject it is mentioned but once; nevertheless the review makes a pamphet of over thirty pages. Twenty-seven States have legislated upon thirty-nine different subjects relating to life insurance, and the number of references to chapter and section are two hundred and sixty. I shall later on refer to some of the results of this legislation.

You are met here to urge the removal of natural restrictions upon commerce and trade. The restrictions you have in mind are not artificial, neither are they imposed by law. But suppose, in addition to the natural obstacles you face, your commerce and trade were held up at every State line and subjected to an endless variety of artificial restrictions and regulations? I can imagine that this Congress would raise a protest against such an order of things that would be heard in the remotest part of the Union.

Of course I am aware that the Supreme Court of the United States has decided that insurance is not commerce and that a contract of insurance is not an instrumentality of commerce. This decision, in effect, denies to a business which finds its greatest usefulness and highest efficiency only in interstate operations, all affirmative rights outside the State of its domicile, and leaves its expansion and success to the justice and wisdom of the legislative branch of each State government. The position of the Supreme Court doesn't make legislation by the States easier. It makes legislation more difficult. Nearly every line in every law lately written by New York State—and by twenty-seven other States—has made life insurance more difficult to do, and only a few paragraphs in any of the laws have made insurance sounder and safer. The strange and almost unprecedented assumption was made that here was a business already too strong and too successful. And so, while the most sacred interests were

involved, while billions of value were concerned, while the structure was the product of sixty years' evolution and involved exact and technical knowledge on a large number of subjects, New York State wrote almost a new code of insurance in a few weeks and went farther toward the regulation of the details of business by statute than socialistic New Zealand has ever ventured. The usefulness of insurance and the necessity of it remain, however the Supreme Court may define it with regard to commerce and however narrowly the various States may legislate with respect to it.

This Congress is peculiarly calculated to forward the interests for which I speak. You represent geographically the greater portion of the Union. While jealously guarding the integrity and autonomy of each commonwealth, you are seeking to remove difficulties which relate to all, to forward interests which are common to all. In these Western States, at least, a man is taken for what he is. If he is a man, he doesn't need a decree of the Supreme Court in order to be recognized as such.

So useful has insurance come to be that the States have generally welcomed it, and perhaps under the circumstances the wonder should be not that laws are so various and so burdensome, but in the absence of any compelling right that they are not worse. It is a tribute to the average level-headedness of the American legislator that the life companies, in spite of misunderstandings and hysteria, have as yet been forced to leave only one State.

As my theme is Insurance without any restrictions, I feel at liberty to draw such illustrations as prove my point of view from any form of insurance, although my appeal not unnaturally will have to do chiefly with life insurance.

It so happens that the Trans-Mississippi territory has recently furnished an illustration of the national as against the local, character of insurance that men will not soon forget. Less than two years ago the whole civilized

world was startled by the report that the city of San Francisco had been destroyed by earthquake and fire, that one hundred thousand people had been made homeless, and five hundred million dollars' worth of property had been destroyed. Five hundred million dollars was nearly one-third of the taxable value of all property in the State of California. Without outside aid the loss would have crushed the city and crushed the State. The total resources of California fire insurance companies were less than ten million dollars. You remember what a magnificent outpouring of sympathy and help there was from the whole civilized world. But consider for a moment how insignificant the aid thus given from outside the State was as compared with that given by fire insurance companies. The total relief fund was about eight million dollars; the total amount paid by fire insurance companies was one hundred and ninety million dollars. The fire loss ratio for the whole State of California in that year was over one thousand per cent. of the premiums paid. This San Francisco insurance loss was not only a national affair, it was an international affair, and foreign fire insurance companies sent over the sea fifty-nine millions in gold to help rebuild San Francisco.

No; insurance—whether fire or life—is not a local question. "But," someone says,—and this is a favorite style of attack,—"insurance companies come into a new State, where more capital is needed, and take capital away." If this statement were wholly true, it seems to me the experience of San Francisco would be its complete answer. The merchant or real estate owner of San Francisco, whose losses were measurably restored after that calamity, was chiefly interested in the fact that the companies were able to redeem their contracts. He cared little then whence came the money which restored his loss. It might come from San Francisco or New York or London. The question

was, would it come? He realized then, as he had not before, that this after all is the supreme test of all insurance. But the tendency to-day nearly everywhere is to get away from this fundamental fact. One might conclude, if his judgments were formed from newspaper discussions or from some statutes recently written in the leading States, that the matter of first importance in life insurance particularly is not that the companies should be sound, but that they should distribute their assets down to narrow margins, that they would limit their business, that the judgment of Trustees with regard to securities should be surrendered. These are questions of more or less importance as they involve the efficiency and integrity of management. But the question of first importance, after all, is that insurance shall keep faith with its patrons. Much of the recent legislation makes this more difficult, and, if further legislation on the same theory is had, it will not only curtail the usefulness of insurance but may make it impossible for it to keep faith. If to keep its faith the companies seem temporarily to take capital away from any given point, that action can hardly be considered unpatriotic or unsound.

But the charge as made is not true, and I will undertake to answer the charge directly in its bearings upon Oklahoma and the Trans-Mississippi country.

Of the money collected in life insurance premiums the first expenditures are for commissions, medical examinations, inspection and local supervision—all of which are made on the field. Other expenditures are for current losses, dividends, matured and purchased policies,—and these are also made on the field. Remaining expenditures are for Home Office salaries, general expenses, and taxation by the various States. Of these three items, the last annual report of the New-York Life Insurance Company shows that the Home Office salaries were 1.54 per cent. of pre-

miums received, general expenses were 1.23 per cent., taxes were 1.16 per cent. The taxes were paid on the field of course. The remaining item—contribution to the reserve fund to secure the final payment of policies—was equal to about 40% of the premium receipts, and over half of this came from interest.

But let us follow up this contribution to reserve and see what becomes of it. In order to carry out the contract with the insured the reserve must be invested; and the amount of investments of this kind on November 1, 1907, in the New-York Life Insurance Company, was approximately five hundred million dollars. I use the figures of this Company only because I am familiar with them. The conclusions to which they point would be indicated possibly with even greater force if I could analyze and present the aggregate investments of all companies doing business in this territory. An analysis of the investments of the New-York Life shows that over one hundred million dollars out of five hundred million dollars was, on November 1, 1907, located in the Trans-Mississippi country. The investments were divided as follows:

Real Estate owned	$2,940,000
Real Estate mortgages	2,923,000
Loans to policy-holders	13,085,000
Railroad Bonds, on basis of mileage	60,649,000
State and Municipal holdings	1,961,000
Other Railroad Bonds which cannot be apportioned to mileage yet are obligations of railroad companies operating in the Trans-Mississippi States	21,865,000
Other Investments	1,125,000
Total	$104,548,000

In the Trans-Mississippi country, the outstanding insurance on the books of the New-York Life on November

1, 1907, aggregated $425,146,000. This is about 21% of the Company's outstanding business; while the investments of the Company in the same territory are a little over 20% of its assets.*

This is a rough sketch of the relation existing between the business and the investments of a Company which, for a long time, has operated in all the Trans-Mississippi country, during which period investments have been made entirely without legislative coercion.

In the development of business, trustees have observed those great laws which even Legislatures cannot contravene. Investments have been made, first for security, and second, to secure the best rate of interest. Investments have sought the Trans-Mississippi country in obedience to a natural law; and the danger has been not that trustees would invest too little, but that, attracted by extraordinary rates of interest, they would invest too much.

Then observe how naturally and inevitably the business of insurance, in its volume and its methods, in its contract forms and in its benefits, outgrew localities, and took on an interstate and an international character. The contracts of life insurance were really standardized by the companies before they were standardized by the State. The great companies wrote substantially the same form of policy at almost the same premium over the entire civilized world. Life companies chartered by the State of New York have now outstanding over eleven and a half million policies. Of these about two million, two hundred thousand are on the lives of citizens of New York State. On the other hand, companies chartered in other States have two million, six hundred thousand policies on the lives of citizens of New York State. The policy-holders in mutual companies wherever chartered

*See memorandum attached.

have equal rights to vote for directors, and their rights are effectively safeguarded. In the payment of claims and benefits, indeed in the performance of all functions, the companies knew no State lines. All restrictions as to residence and travel in any State in the Union were long ago eliminated from life policies. Notwithstanding all this, notwithstanding the fact that economy makes it imperative that a New York State company should write the same contract with the same premiums and the same benefits in Maine and in California, and although such is the fact, the various States continue to legislate; and California, or Louisiana, or Wisconsin may easily and without much consideration enact a law which will make it necessary for a company to retire from that State or to revise its whole program of business all over the world at a heavy cost. In saying what a foreign life company may or may not do within his State, the legislator sometimes says, whether he intends to or not, what it may or may not do in every other State in the Union, and possibly what it may or may not do in all the civilized world.

There were abuses in life insurance that it was necessary to correct. They deserve every honest man's reprobation. Not unnaturally every State, whether it had life companies of its own or not, felt called on to take a hand in the matter. It is time now to notice some of the results. For that purpose, I venture again to quote from the remarks which I made to the Insurance Commissioners of the United States in Richmond last September, as follows:

"The close of 1906 showed outstanding on the books of the regular level-premium American life insurance companies nearly a billion dollars less insurance in force than would have been in force if the rate of development and progress shown by the companies at the close of 1904 had been maintained during the two succeeding years. In making up the gain and loss of the last two years this tre-

mendous item must have attention. It consists of positive and negative waste; positive waste in the hundreds of millions of business lost; negative waste in other hundreds of millions not created. *Waste may consist of things not done. Fear is waste. Doubt is waste. Spread a general condition of distrust throughout business and the results may be as deadly as those which attend fire, flood and earthquakes.* A general paralysis of the agencies that make for good means widespread destruction. That condition to some extent exists to-day in general business, and markedly so in life insurance."

That condition in general business has begun to assert itself and what has followed? A few badly managed banks and trust companies obliged to close their doors, but a still larger number that were solvent temporarily suspend payment, and still other solvent institutions subjected to runs and heavy withdrawals of cash at a time when the whole business community was suffering for lack of ready money; the clearing houses of all the larger cities issuing certificates of indebtedness based on securities with which to pay the balances which the banks owed each other on daily settlements; the prices of bonds and stocks at the lowest point seen in years,—prices at which New York City bonds yield nearly four and a half per cent. on the cost, and standard railroad stocks with long dividend records yield six per cent. or over; prices of grain and cotton rapidly falling. The question is no longer asked, Will there be a business depression? as there has been a depression in the price of securities? The depression is here, and the only question is, How severe will it be and how long will it last? "Fear is waste," and "doubt is waste" because they paralyze the forces that make for good. No doubt there have been abuses in business, but in the main business has been and is on a sound foundation. The abuses had to be corrected,

but in their correction fear crept in, doubt crept in, and here we are. Destruction is always easy. Suspicion and selfishness never sleep. Reform which is statesmanlike—whether in general business or in insurance—does not seek to destroy, does not appeal to passion and suspicion.

It is a truism to say that in all departments of government Oklahoma has an opportunity to teach the world a lesson. I am not so sure that we state the whole case unless we add that in substantially all departments of legislation Oklahoma ought to teach the world a lesson; otherwise what use will you have made of the experience of the other States? How will you have utilized the liberty and the opportunity and the individual freedom of the Great West? The State has made a notable beginning. It is the only State which, in its organic law, recognizes the importance of insurance. It is the only State whose constitution provides that one of the Executive Officers of the State shall be the Commissioner of Insurance. This, it seems to me, is beginning right. What should the next step be?

I am tempted at this point to undertake a discussion of too many topics. I would like to emphasize the necessity of legislation in a State like this which shall deal only with the fundamental things,—with solvency, with strength, with justice, with facility in the transaction of business. Assuming a cordial desire to forward every interest which will tend to develop the industries and wealth of the State, I would like to emphasize my view of what your attitude ought to be towards the taxation of life insurance premiums.

In substantially every organized form of society that has ever existed there has been a recognition of the fact that it was good public policy to encourage the growth of

certain ideas and interests, whether all individual citizens were directly benefited by such growth or not. For example, when Colorado became a State, provision was inserted in the Constitution exempting mining property from all taxation for a period of ten years. This, of course, put all the burden of taxation on other forms of property, but it was the judgment of the men who framed the Constitution and of the people who adopted it that the added burden was warranted because of the encouragement which would thereby be given to mining enterprises and the ultimate benefit which would accrue to all forms of property in the State. The same idea on a much larger scale is represented in the exemption of church and school property from taxation. It is stated on good authority that the value of property owned to-day in the United States by the various churches is five thousand million dollars, and none of it is taxed. It is not taxed because the controlling opinion has been that the Church was a benefit to the State, that its influence upon the whole was of value to every citizen, that its work ought to be encouraged, and that the burden of taxation ought to be placed on other forms of property.

Of course, in exempting church property from taxation, every tax-payer, believer and unbeliever, is taxed to make up for the exemption. If property owned by the Church pays no tax, then other property pays more tax. So the State in effect has said that the unbeliever should be indirectly taxed for the support of the Church because the Church is a public benefit.

Every one of these arguments applies with almost equal force to the premiums of life insurance. We have now reached a period where it is difficult to find a man who will claim that life insurance is not a public benefit. Substantially every citizen recognizes the conservative value of life insurance; not alone in the burdens of which

it relieves the State; not alone in its fight against want and poverty; not alone in the protection which it affords the defenceless—the opportunities which it gives boys and girls where otherwise there would be no opportunity —but in the part it plays in the industrial development of the country,—in the demand which it creates for good securities; in the conservative position which it takes with regard to securities; in the great centres of financial conservatism and strength which it necessarily creates. And yet, while life insurance plays all these important functions in society, it has been taxed and is still taxed as though it were in some fashion a public menace, or, if not that, at least a strictly private enterprise in which the State had no direct interest, and indeed an enterprise of which the State in its necessity may take advantage.

Under the system of taxation adopted by the various States in this country, in one form or another every dollar of premiums paid by the policy-holder is taxed. These taxes range from a fraction of one per cent. in one or two States up to more than three and one-half per cent. in one State.

The premiums which the insured pay are in themselves a tax, self-imposed. The great body of them represent serious economies, and even sacrifices, on the part of the policy-holders. They represent savings which more directly benefit the State than any other form of investment, and yet while the State exempts school property and church property, it taxes the premiums of life insurance. A parallel argument may be made with respect to the exemption from taxation of savings bank deposits. The man who puts his money at interest in a savings bank is not taxed; the man who puts his money into life insurance is taxed. There is a monstrous inconsistency in this situation somewhere.

There has, beyond any question, been a decided ad-

vance of late in the campaign against special privilege and special advantage, as against the general public. Railroad passes have been abolished, and everybody applauds the action. There are other special privileges and advantages which ought to be abolished, and they will be. But my argument goes to this conclusion: that if as a matter of public policy it is just and wise to exempt school property and church property and some other forms of property from taxation, then the premiums of life insurance ought to enjoy the same exemption.

While the tendency has been steadily to increase this taxation, and while State after State has taken the matter up and in no instance that I can recall has any State reduced the rate, still it seems to me there is a better day coming. Here and there an Insurance Commissioner rises up and protests against such taxes. The disposition of Insurance Commissioners hitherto has been to take all they could get in order to make a good record for their Department of the State government. The immense publicity which life insurance has had within two years, notwithstanding the fact that some of the disclosures were shameful, has spread a better knowledge of what it is and what it means, and gives good ground for the hope that the policy-holders themselves are about ready to appreciate not only the interest which they have at stake but the power which they can exercise if they see fit to do so.

Life insurance within two years has been put to shame within its own household, but the staggering blow which it has received came after all from badly conceived legislation.

I contend that the legislation which stopped the general development of life insurance, which not only curtailed its annual production of new business but which went so far as positively to force a shrinkage in the vol-

ume of its outstanding insurance, was an economic crime. It was an offence possibly worse than that inefficiency which in New York City leaves thousands of children without any access to the public schools simply because there are not public schools enough. This economic mistake or crime will not be remedied unless the policyholders demand that it be remedied. The politician whose business is governing does what he thinks the people want, because he believes that his own continuance in power is dependent upon pleasing the people. He legislated unreasonably against life insurance because he thought the temper of the people demanded it. He will legislate again and more reasonably when he thinks he hears the same voice demanding such legislation.

No good life insurance man and no wise policy-holder wants irresponsible management, and, therefore, they don't desire the repeal of any just and proper law. They want complete publicity; they want administration which must live and move in the sunlight; they want their full equity in the premiums which they pay; but in insuring the receipt of that equity they don't want the companies driven to the point where solvency is threatened or where trustees are faced with the penitentiary for clerical errors. They don't want to embarrass by a multiplicity of regulations a business unsurpassed in its usefulness, and perhaps unequalled in its possibilities when conducted under sound public policy.

You seek the removal of natural restrictions and barriers to commerce. Has it ever occurred to you that before we reach the subject of legislation at all, insurance, and especially life insurance, has to remove similar restrictions and similar barriers? The natural restrictions with which a life insurance company has to struggle are the indifference and inertia of men, the natural lack of responsibility which exists in all grades of society, the

lack of any just appreciation of what the contract of marriage means, what the family means, how dependent the State is on the condition of the family. Another natural barrier is the difficulty,—and it is a difficulty,—of keeping money so soundly invested at all times that in spite of war and panic it shall yield a given rate of interest continuously and answer for the principal in due course. These are grave problems even when trustees are unhampered by affirmative and negative restrictions; they are problems when trustees are free to follow their own judgment and their own sense of responsibility.

This Congress seems to me to open a door of hope, to foreshadow the dawn of a fairer day. Public opinion has been led of late to emphasize the force of that great commandment, "Thou shalt not steal." But I would have the public opinion of Oklahoma, where of all places in the world men can be just and fear not, teach the world that the time has come in the interest of common safety to emphasize the force of that other great commandment, "Thou shalt not bear false witness against they neighbor."

Your declared purpose is to remove obstacles, not to create them; to emancipate business, not to shackle it; to increase values, not to limit them.

Insurance has asked no favors. It has accepted no bounties and demanded no subsidies. It has not asked the people of the country to tax themselves in order to keep out foreign competition; on the contrary, it has so completely occupied its own field that with the exception of the fire insurance companies foreign competitors have not thriven. Life insurance has done more. It has crossed every sea and planted its banners upon every civilized shore. It has succeeded without government help, and in spite of obstacles created by government. It has paid its own expenses and contributed millions to the support of

government. In times of financial strain and stress it is a great centre of conservatism, and while other institutions are shaken and sometimes brought down in ruins, life insurance in its financial responsibility is substantially unaffected. Where conducted on the mutual plan, it is not even seeking to make money. It is always serving the State. It is here to-day to ask that in Oklahoma at least it be allowed to fulfil its benign mission; that the disposition to harass it with needless restrictions, to burden it with unjust taxation, elsewhere evident, find no opportunity here; and that this State, by its enlightened example, deliver an effective rebuke to those States which, having given insurance companies their birth, seem now disposed to destroy them and their usefulness through illogical and repressive legislation.

And finally, may I express the hope that statesmanship of such high order will assert itself in the first session of the Legislature of Oklahoma as to deliver a direct rebuke to those so-called leaders of public opinion who have been teaching the country to distrust its own institutions and its own citizenship. At the time of a great crisis forty years ago, James A. Garfield faced a mob in Wall Street and brought it back to reason by crying out "God reigns and the Government at Washington still lives". Untouched by the suspicion and fear which false leaders have cultivated, Oklahoma, although the youngest of the States, can by the sanity of her legislation and the correctness of her attitude—not merely toward insurance, but toward all business—reinforce the fact that the optimism and the love of justice and the courage and the energy and the faith, which have made all this mighty West, still live.

MEMORANDUM SHOWING RELATION BETWEEN INVESTMENTS OF THE NEW-YORK LIFE INSURANCE COMPANY AND THE OUTSTANDING INSURANCE OF THE COMPANY IN THE TRANS-MISSISSIPPI TERRITORY

STATES	INVESTMENTS, OCTOBER 31, 1907					INSURANCE IN FORCE, OCTOBER 31, 1907	
	Railroad Bonds, Par Value (a)	State, Municipal and other Bonds	Real Estate Owned and Loans on Real Estate	Policy Loans	Total	Policies	Amount
Arizona	$758,000	$15,000	.....	$213 041	$986,041	2,878	$7,573,429
Arkansas	3,257,000	.....	.....	362,956	3,619,956	6,370	12,460,497
California	5,172,000	.....	.....	1,563,035	6,735,035	20,340	45,507,655
Colorado	2,574,000	.....	$255,000 (b)	642,743	3,471,743	8,202	17,956,789
Idaho	2,223,000	.....	.....	214,460	2,437,460	3,324	6,943,591
Iowa	2,993,000	.....	.....	817,835	3,810,835	20,118	31,552,733
Kansas	3,534,000	.....	.....	578,537	4,112,537	10,773	19,274,691
Louisiana	5,399,000	.....	.....	1,115,850	6,514,850	15,817	36,829,546
Minnesota	7,508,000	875,000	1,050,000 (c) 288,850 (b)	665,618	10,387,468	13,076	22,760,313
Missouri	7,259,000	437,000	1,240,000 (c) 1,909,194 (b)	1,662,510	12,507,704	30,451	61,620,754
Montana	2,888,000	.....	.....	296,084	3,184,084	3,919	10,159,322
Nebraska	2,136,000	.....	650,000 (c)	383,184	3,169,184	7,654	13,950,316
Nevada	1,270,000	.....	.....	69,031	1,339,031	1,664	4,433,105
New Mexico	1,798,000	.....	.....	170,461	1,968,461	1,771	4,606,684
North Dakota	1,923,000	.....	.....	304,600	2,227,600	5,031	9,480,529
Oklahoma & Ind. Ter.	715,000	.....	.....	518,294	1,233,294	5,848	11,704,823
Oregon	1,162,000	.....	350,000 (b)	229,981	1,741,981	2,999	6,321,771
South Dakota	1,453,000	.....	.....	190,840	1,643,840	3,757	6,119,942
Texas	1,376,000	819,000	120,000 (b)	1,924,111	4,239,111	31,253	64,939,177
Utah	3,372,000	350,000	.....	322,289	4,044,289	5,842	10,667,735
Washington	703,000	590,000	.....	737,116	2,030,116	7,582	15,760,033
Wyoming	1,176,000	.....	.....	103,067	1,279,067	1,897	4,522,682
Bonds as per Note (d)	.....	.....	.....	.....	21,865,000	.....	.....
Total	$60,649,000	$3,086,000	$5,863,044	$13,085,643	$104,548,687	210,566 West of Mississippi.	$425,146,117
						Total	$2,013,111,923
						Prop'n W. of Miss.	21.1%

(a) The holdings of railroad bonds here given are the amounts which may be considered as invested in the several States—being figured on the basis of the proportional mileage in said States of the roads covered by the mortgages securing said bonds.

(b) Mortgages on Real Estate. (c) Real Estate Owned.

(d) In addition to these amounts the Company holds $21,865,000 in the bonds of railroads operating in said States (Atchison, Topeka & Santa Fé, Chicago & Northwestern, Northern Pacific—Great Northern, International & Great Northern, St. Louis and San Francisco) which cannot be apportioned according to mileage, because of the nature of the securities, which are direct obligations of the roads without respect to mileage.

NEW YORK STATE AND LIFE INSURANCE LEGISLATION

AN ADDRESS BEFORE THE FIRST ANNUAL MEETING OF THE ASSOCIATION OF LIFE INSURANCE PRESIDENTS, NEW YORK, N. Y., FRIDAY, DECEMBER 6, 1907

I BELONG to what may be called the militant school of life insurance. If the theory of life insurance is sound—and that has been demonstrated—if its professions of usefulness have stood the test of time and its product has actually become a part of the fabric of civilization—which is a fact—then, in common with many others, I hold that they who follow this calling have a warrant for unlimited activity: a warrant for activity and insistence kindred to that warrant which underlies all enterprises planned to widen the scope of commerce, all movements which seek to better the conditions of peoples, all plans which seek to advance public morality; kindred if not equal to that instinct which results in national growth; and, in some degree at least, akin to that moral ecstasy which invites almost any hazard and cheerfully undertakes almost any burden in order to advance a religious conviction.

Speaking as a life insurance man to life insurance men and to others interested in life insurance, I think I may say without offence that the period through which we have been passing, and from which we hope we are emerging, has not been a judicial period; it has not been one in which public discussion has been altogether dispassionate, indeed, from the nature of the case, it could not be so. But the time has now come when all men, and especially the legislators of the State of New York, ought to review the case in the light of experience, and it is with that thought in mind that I address myself to a brief discussion of some of our recent legislation.

Mr. Gladstone characterized the Constitution of the United States as "the most wonderful work ever struck off at a given time by the brain and purpose of man". We not unnaturally have always interpreted this famous dictum as a compliment of the first order, as evidence of the superlative wisdom of the fathers of the State. It seems to me, however, that Mr. Gladstone uttered a profound criticism rather than an unqualified approval of our fundamental law. He had in mind undoubtedly what is known as the English Constitution,—a body of precepts which has grown up slowly through the centuries. He was thinking of the difficulty of legislating wisely at any time in new fields. He paid a high tribute to the intelligence, the wisdom, and the unselfish patriotism of the men who wrote our Constitution, but he uttered a profound truth when he said that this work was wonderful and chiefly wonderful because it was "struck off at a given time". He unquestionably meant to point out the great difficulty of legislating wisely when legislating quickly. He meant that new legislation is generally imperfect legislation, that it must be followed by intelligent observation and supplemented by amendments which experience shows to be necessary. Every popular movement of importance has its reaction, partly because

of the inherent difficulty of wise action at such times, but usually because such movements go too far. Roused to frenzy by real abuses and by exaggerated reports of abuses, the representatives of the people legislate in haste and sometimes in anger, and, while their motives are usually above question, the statute books bear eloquent and voluminous testimony to the difficulties which they have encountered.

It would have been a new thing in the history of legislation if this State in 1906 had been able to strike out into a new field and enact a body of laws that should prove wholly wise and beneficial. The legislation of that year followed a period of great excitement. No life insurance company had become insolvent or had failed to meet its current obligations promptly, but certain kinds of abuses —which we have since learned were not confined to life insurance—were first laid bare in our business, and the demand was for drastic correction.

In order that review, revision and amendment may proceed sedately and wisely, the Legislature of 1908 will do well to observe the statesmanlike action of Governor Hughes in lately appointing a committee of experts to study the financial situation and report what, if any, legislation is needed. Regrets that such action was not taken in 1906 and that the needs of life insurance were not first reviewed by a similar body avail now only because they enforce the wisdom of proceeding cautiously even with revision.

The New York *Herald*, on February 4, 1906, in forecasting the contents of the report of the Armstrong Committee, said that it would demand that life insurance in its old forms should be swept out of existence. That, of course, was an overstatement, but it foreshadowed action much more violent than seemed possible at the time. The radical character of the recommendations of the Committee and the radical character of some of the

legislation which followed had not so much to do with life insurance as it then was, as with life insurance as it was to be; that is to say, the new laws were most radical where they introduced entirely new methods, where they legislated in entirely new fields, where they undertook to establish regulations not by amendments but by wholly new enactments on subjects without precedent legislation.

I cannot within any reasonable time discuss all the phases of this legislation, which may be roughly grouped under the following heads:

First.—Directors.

Second.—Agents.

Third.—Misrepresentations.

Fourth.—Policies.

Fifth.—Disbursements.

Sixth.—Valuations.

Seventh.—Securities.

Eighth.—Publicity.

Ninth.—Limitations.

There was a variety of legislation outside these subjects, and one especially worthy of attention was an omnibus provision making it a misdemeanor in addition to any other penalty otherwise prescribed, excepting where such offence constitutes a felony, for any person or corporation to violate any of the provisions of the insurance law.

DIRECTORS.

It is not my purpose to urge any modification of the existing statutes with regard to the election of Directors in mutual companies, although I believe amendments will come naturally in the course of time from the situation itself, but it is pertinent to call attention to the radical

character of the action taken by the Legislature on this subject. Of the twenty-nine charters of life companies of New York published in the Insurance Department's Report of 1868 only six provided for so short a term of service as two years, and these were all stock companies. Twelve provided a period of three years, eight a period of four years, and one a period of five years. Of the thirty-two charters published in the Wisconsin Report of 1906 six prescribed a one-year term, ten a four-years' term, one a five-years' term, and one a seven-years' term.

Admitting, for the sake of argument, that the conditions disclosed with regard to the election of Directors in mutual companies warranted the extraordinary proceeding under which all Directors then in office, duly elected by the policy-holders under their charter rights, were excluded from further service on a given date, and warranted the cancelation of all the powers of attorney then in existence, executed by the policy-holders giving persons the right to vote on their behalf, was it consistent with experience and sound public policy to limit the term of service of Directors in mutual companies to a period of two years? And again, after the policy-holders had made their choice, in an election unprecedented in its publicity, complete in its right of franchise, how shall we explain the action of the Legislature of 1907 which again modified the law so as to compel the election of full Boards in 1909 and biennially thereafter? This leaves the great mutual companies exposed once in two years to the perils of an election which in the nature of the case involves heavy expense and the possibility of revolutionary changes. The Boards are no longer to be changed fractionally, as is the case with substantially every other form of corporation, but the control of these great institutions at least once in two years now invites the attention of that particular type of corporation financier with whose opera-

tions we have lately become somewhat familiar in New York.

It is hardly worth while now to review the bitter fight that was made for the control of the Mutual Life and the New-York Life in the last election for Directors. The election was held under the supervision of the Insurance Department, which had complete control of the polling lists, the form of ballot, the method of voting under the law, and the canvassing of the ballots cast. The result in the case of the Mutual Life was announced about five months after the polls closed, and in the case of the New-York Life almost exactly six months after the polls closed. The necessary expenses in the case of the latter Company—expenses paid by the policy-holders—was over $200,000. The law was so imperfect that many thousands of policy-holders were disfranchised through their inability to understand the complications of the ballot. Without imputing unworthy motives to any one, it is proper to note the fact that the records of the District Attorney's office in New York County show that the opportunity for control of these great corporations constituted a temptation so alluring that the Grand Jury has charged certain men with conspiracy and forgery in connection with the ballots. I do not by this mean to argue in the remotest degree against the propriety of legislation which insures to the policy-holder in mutual companies the right to vote. I take no issue with the recommendations of the Armstrong Committee or with the belief of the Legislature that the policy-holder up to that time had not been sufficiently heard. I contend only for this: That the issue was so vast, the interests were so great, that any change from what was believed to be a bad condition to what was planned to be a sound and a safe condition, human nature being what it is, should have been made in the light of experience, should have been undertaken less violently,

should have been made so as not to invite for the policyholders greater evils and greater disasters than those from which the Legislature believed it was relieving the insured.*

AGENTS.

The legislation under this heading contains nothing radically new, and nothing to which life insurance men can take serious exception.

MISREPRESENTATIONS.

Section 60 of the Insurance Law is an entirely new section. I don't think life insurance men are disposed to quarrel with it, but it should be noted that all misrepresentations of agents, officers, directors, and employees, wilful or otherwise, are severely dealt with, while the representations of the applicant as to the things upon which his insurability depends are declared to be not even warranties. Indeed, under chapter 324, the rule is so severe that if an officer makes a statement to-day according to his knowledge and belief, and to-morrow, or next week or next year, finds that he was mistaken in any particular, finds that possibly some subordinate officer in furnishing him information made a clerical error, and then finds, as he may, that he must make a contrary statement, perjury shall be presumptively established by that fact. I submit to any fair-minded man whether this kind of legislation is likely to secure the right type of Director, is likely to bring the right type of man into the business. Does it represent a fair or just theory of legislation?

POLICIES.

I believe the legislation which forbids any single company to issue at the same time policies on the participating and non-participating plan is bad legislation. The argu-

*Section 94 was amended by L. 1909, Chap. 301, also by L. 1910, Chap. 697.

ment of the Armstrong Committee, which I presume was the controlling argument with the Legislature, was entirely unsound, and it was this: The Committee said if premiums for non-participating insurance are fixed by a mutual company at a rate lower than the actual cost of carrying the insurance, including a fair share of expenses, it is an imposition upon the other policy-holders; if, on the other hand, premiums are charged at a rate higher than that demanded by the cost of carrying the insurance, the excess is without excuse, and those who take the policies are overcharged and deprived of the returns to which they should be entitled. If this argument is good against non-participating business by a participating company, it is good against all non-participating business. Under this logic every non-participating rate is either too high or too low. In fact the Committee said in so many words that a non-participating policy issued by a mutual company could be justified only upon the supposition that the exact results of the business can be foreseen. Of course that is an impossibility. But why is it any more improper for participating policy-holders in a company to insure a man's life at a price on which they are safe and on which they may make a slight profit than it is for stock-holders to do the same thing? Wherein is it inherently wrong? On the other hand a life insurance company, so long as it does its business honestly and openly and under the supervision of the State, should offer any form of policy which may appeal to the insurant and which will do no one else any injury.

Under this general heading comes what are known as Standard Policy Forms. It would be interesting to know what the Standard Policy Forms would be now if the Legislature had acted on this subject fifteen years ago. More progress was probably made in policy forms between 1892 and 1906 than in all the previous history of life insurance.

The improvement was the result of competition. Policy forms grew constantly better and simpler. Year by year they gave the policy-holder more for his money. On the average, they were the best forms of insurance that had ever been written, and, on the average, they were better than the forms which the State compels the companies to write to-day. I don't say that for the purpose of condemning in any degree the present Standard Forms. These forms contain nothing new, no benefit that was not then offered by some company. They do contain a combination of nearly all the great benefits and they shut out a number of inferior contracts. It is a vastly better contract than any Legislature would have ventured to put upon the statute books a few years earlier, and the companies by exercising certain options in the policy-holder's favor, are making it a better contract than the law requires. Contrast this Standard Form with the policy forms of a generation ago and we have a complete answer to those people who are demanding that life insurance premiums shall be decreased. We still hear that demand. Here and there a newspaper asserts that after all the insurance investigation has failed and legislation has failed because premiums have not been lowered and the cost of insurance to the policy-holder has not been made less. Unfortunately, neither competition nor legislation can lower the death rate; they cannot increase the rate at which money can be improved at compound interest. But, if a comparison is made between the average policy form of a generation ago and the Standard Form of the State of New York in 1907, it is not difficult to show an equivalent for a considerable decrease in cost. This appears in an increase in benefits which has been marked, indeed almost startling, within fifteen years. It is possible that premiums might be reduced if the State should compel all companies to

abandon the present Standard Form and write contracts like those issued twenty years ago. But a proposition to that effect would hardly get a decent hearing. It would not get a decent hearing because the public has been taught that the only good insurance is insurance that insures. This lesson was taught by the companies and was the product of free competition.

Briefly some of the points on which the policy contract has been vastly improved through competition are: (1) change of beneficiary, (2) grace in payment of premiums, (3) conditions as to travel and change of residence, (4) occupation, (5) suicide, (6) incontestability, (7) policy loans, (8) options on surrender or lapse, (9) modes of settlement, etc.

Under the general heading of policies I ought perhaps to refer to the law which forbids the further issue of contracts carrying deferred dividends, but I prefer to discuss that, not perhaps in its natural order but in connection with the general subject of limitations.*

DISBURSEMENTS.

Here the Legislature was on relatively familiar ground, and its action leaves little to criticise.

VALUATIONS.

Discussion of this phase of the legislation belongs rather to the Actuarial Department, and as a practical life insurance man I pause only to point out that peculiar arrangement under which it is assumed that all companies will make a mortality saving on tabular rate of 50% the first year, 35% in the second year, 25% in the third year, 15% in the fourth year, and 5% in the fifth year. This saving may or may not be realized. In some companies it is, in some companies it is not. All companies, however,

*Section 101, Standard Policy Forms, was amended by L. 1909, Chap. 301, substituting "Standard Provisions."

are permitted to expend the saving under another section of the law which I shall discuss in a moment, whether they have realized it or not.

On substantially all other points the practice of all the leading companies was and is more conservative than the law in fixing liabilities, and more liberal than the law in dealing with the policy-holders.

SECURITIES.

I have no fault to find with the legislation on this subject except this: I don't believe the Legislature had any right to say that a company holding securities legally bought must sell those securities within a given period of time. I can say this all the more feelingly because the statute in question did not in any way affect the New-York Life. I believe that section of the legislation was not only wrong in principle but unconstitutional.*

PUBLICITY.

No intelligent provision for publicity has had or ever will have the opposition of any good life insurance man. We frequently hear it stated that there is such a thing as too much publicity, that there are many things about business and about the management of corporations that the public, in the nature of the case, cannot understand. It is argued that people insured in life companies and people who hold stock in various styles of corporations will be disturbed, will act contrary to their best interests, by having information beyond a certain point. Personally, I don't believe in any such doctrine. I think the public is disposed to forgive a good deal in management provided they believe that management is not trying to conceal anything, provided they don't suspect there are

*Section 100 was amended in 1911, extending the time for sale of stocks for five years from December 31, 1911.

wheels within wheels. I believe that corporate management is much more likely to err on the side of not giving enough information. I have yet to see any damage done to a life insurance corporation, or any other style of corporation, because the directors and officers talked to the policy-holders or the stockholders too frankly, too fully, or too freely. If, therefore, the laws of this State have failed to give the policy-holders or the Superintendent of Insurance the fullest authority to make any proper inquiry at any proper time, such authority should be written into the statutes at once.

LIMITATIONS.

When the Legislature took up this topic in 1906 it went out into entirely new fields. It placed limitations first upon the new business a company may do within a year; second, upon the expenses of new business; third, upon the total expenses of a company; and, fourth, upon the amount of contingency reserve or surplus which a company may hold.

1. Limitation of new business.

This legislation was the result of a conviction that certain companies had already become too large. The Legislative Committee gave this as a reason for its recommendations. This was also urged on the floor of the Senate during the debate which accompanied the passage of the law, and in the excitement and hysteria of that period a sentiment in support of such an argument was probably more or less widely disseminated. Let me quote from the Report of the Joint Committee of the Senate and Assembly of the State of New York, filed February 22, 1906, language which appears on page 282:

"Their (the three big New York companies') membership is so large and their resources are so vast as to make the question of responsible control and conservative man-

agement one of extreme difficulty, and their magnitude, if permitted to grow unrestrained, will soon become a serious menace to the community."

Let us for a moment consider that language. It invites very careful consideration because it explains the attitude of this special Committee through the entire period of its labors and locates the source and the nature of the impulse which found final expression not only in this particular section—96—but in other portions of our insurance laws. With perfect integrity of purpose and acting from a patriotic sense of duty, the Committee here adopted what I believe to be a false philosophy and missed a great opportunity.

There are ideas and forces at work in society which must be curbed and controlled and even limited. There are other ideas which must be controlled but in the very nature of things should not be limited. The life insurance idea is almost wholly beneficent in its nature. It has no part or lot with the forces that fight against the progress of society. It is arrayed against radicalism and improvidence and war and all the things that destroy. In addition to the highly beneficent work of distributing amongst the many the shock and loss caused by the death of a few, it accumulates, if successful, great sums of money which are in turn invested in the sound enterprises of the world and held for the security of contracts. These accumulations when compared with the debts of the world—representing war and waste—or with the accumulations representing industrial development, are beggarly in amount. The world finds no great difficulty in administering great public debts, whether state or national. It even entrusts the expenditure of almost unlimited millions to men who, by the standards employed in private business, are absolutely disqualified for any such service. Yet, upon the whole, we do fairly well, and the man who would dare to

stand in his place and say that we must abandon national development and national defence, that we must abandon industrial development, because our civil system has broken down, because men cannot be found sufficiently able and honest to administer these large affairs—would be immediately rejected as a leader; he would be condemned because he had advanced the philosophy of despair.

Yet here was a group of distinguished citizens who advanced exactly this kind of philosophy when brought face to face with certain natural problems developed in the management of inherently beneficent and constructive institutions. They reported extravagant commissions, extravagant administration, evidence of lobbying, and many other things of which they disapproved and which met general public reprobation. But admit the existence of all the offences the Committee charged, and suppose that all the press imagined about the situation was true, and suppose that more than the Committee discovered and more than the press imagined was also true, even then their conclusion as embodied in their principal remedy was a *non sequitur*. It was a colossal economic error. The remedy proposed bore no relation to the offence. Extravagances in the name of beneficence have been committed before; but that is no reason for condemning beneficence. Bad practices, where methods should be correct and scrupulous, were not unprecedented. Inefficient men have been discovered in the service of the noblest of human enterprises. These conditions have always existed. They are incidents which attach to all endeavor, developments which must always be guarded against, which go with the evolution of every complicated form of society. But because these conditions persistently arise no constructive statesman has suggested that limitations should be put upon the particular forms of activity to which the evils attach. The conclusions of the Committee in this particu-

lar represent the methods of the destructionist and not those of the reformer.

If a bridge is built in the interests of public transportation and the contractor and the representatives of the people build a good bridge,—one that serves a great public purpose and serves it well—but at the same time conspire together to rob the people, no one ventures to suggest that the proper way to remedy that evil is to build no more bridges. So in this case—the thing itself—life insurance—was found to be sound and effective and enormously useful. There was no taint upon it. The State had chartered the companies for specific purposes, and when put to a test that was literally fearful in its character, the companies were found in every essential to have been faithful to the State and faithful to their mission. The conclusion of the Committee that the way to cure excrescences was to destroy the thing itself, the way to check evil practices was to limit the operation of an institution which in itself was thoroughly useful and desirable, was based on very bad logic. I do not believe the citizens of this State were willing then and I do not believe they are willing now to admit their inability to secure an administration of life insurance that is effective and honest, however large the companies may be. They are no more ready to admit that than they are to say that New York City is too large or that the Empire State is too large. In saying that the companies, because of the extent of their membership and the vastness of their resources, "will soon become a menace to the community", the Committee, and the Legislature which endorsed their recommendations, substantially concluded that human nature is so made up and society is so constructed that we cannot handle things on a large scale, not even beneficence. What conclusions the Committee might have come to and what action the Legislature might have taken if they had been dealing

with other enterprises equally large, but in no sense beneficent, it is useless now to conjecture.

With the utmost respect for the Committee's motives, with unlimited admiration for their industry and sincerity, I am obliged to deny the soundness of their philosophy and the correctness of their conclusion in this matter. They missed a great opportunity. They misread the lesson of all modern development. They did not see that as against the forces of selfishness and improvidence here was a force of wonderful potency and almost unlimited possibilities,—a force, too, which naturally fights for all that is best in society, a force which in the nature of things should have been first purified and then set free.

We administer the affairs of forty-six States better than we administered the affairs of thirteen. We abandoned fear of great things and all doubt about our ability to handle great things when we crossed the Mississippi River territorially a hundred years ago.

Suppose the Committee had first recommended action which would have sternly purged the companies of errors, ended extravagances, and insured a high standard of trusteeship from Directors, and then in the interests of society generally had placed them in the centre of a blaze of publicity with a declaration which emphasized their usefulness and especially the high duty of those in responsible places. This would have condemned men, and would have endorsed the thing itself; this would have added to the damnation of those who had been unfaithful, and would also have added to the prestige of life insurance. But in saying that a beneficent idea may practically "become a serious menace to the community" the Committee adopted the philosophy of despair. They made a sort of declaration of civic bankruptcy. They declared that while politicians and second-rate men may be trusted to administer vastly greater interests, men sufficiently unselfish and

philanthropic and faithful cannot be found to administer the funds of beneficence.*

2 and 3. Limitation of total expenses and expenses for new business.

I have been told that this is a subject I should not touch. Just why I don't know. I am not opposed to a limitation on what may be spent in the procurement of new business. I am opposed to a law under which socialism creeps in and while professing to limit expenses limits methods. I am opposed to a law which provides for expenses something which may never exist and practically ignores a provision which exists in every premium paid during the lifetime of every insurance contract. I am opposed to a law which, between the limitation which it fixes on cost of new business and the limitation which it fixes on total expenses leaves opportunity for endless extravagances. I am opposed to a law which, taken with other sections of the Insurance Law, absolutely takes the soul out of organization. A real business organization is something organic. If it is not organic, it is not effective. An organism has blood as well as bones. An agency organization constructed under the provisions of the existing laws of this State has and can have only bones; it has no blood. Under these laws, a man who has served a company for twenty-five years, who has put into the institution his life, his personality, his reputation, everything he has, has no recognition and no return for what he daily renders beyond the man who entered the Company's service yesterday and who may leave it to-morrow. This is a gross violation of every principle on which sound business organization rests. An agency organization of any kind is made up of men, made up of very clever and shrewd men. As a rule, they are men who can be appealed to powerfully. They are ambitious men, proud

*Section 96 was amended by L. 1910, Chap. 697.

men, optimistic men. They want to make a livelihood, they want to make money, but they want recognition, too; they want the distinction that in every other walk of life goes with distinguished services. Under section 97 these things are denied them, not so much because section 97 puts a limit on what a company may pay, but because section 97 deals with the method as well as the amount that a company may pay. If section 97 put a limit on the expenses of new business but left management the usual discretion with regard to how that expense should be applied, there would be little reason to criticise the section. Here again the Legislature was on entirely new ground. It was dealing with something almost as new as the limitation on the amount of business that a company may do. It did not intend by this process to decrease the amount of business that all New York companies would do, but that was the effect. The Legislature did intend, under the advice of its Investigating Committee, to stop the growth of the three big companies in New York State. In that purpose I don't believe it had the support at that time of any large section of public opinion, and I don't believe it has the support to-day of even a small section of public opinion. The Legislature intended in section 97 to limit the cost of new business. It didn't intend to strike a paralyzing blow at activities of all our companies. In effect, this is what it did.

There is logical justification for the limitation of the expenses of a life insurance company—aside from any academic opinion to the effect that expenses were or were not excessive, or that a company has or has not paid too much for new business—and that is in the way the premium rates of a company are made up. The State selects a Table of Mortality and says the company must provide for a mortality in accordance therewith; it selects a minimum rate of interest, and says the company must have enough

funds on hand to meet its future liabilities in case it earns only this rate of interest on its invested funds; but it leaves the company to say what amount it will add to the net premium calculated on these assumptions, for expenses and contingencies. The company is at liberty to make this amount as much or as little as it chooses. Having fixed upon an amount for this purpose, the State would seem to have a right to forbid any expenditure in excess of that. This would be simple and fair; it would appeal to the judgment of all men. But the present method of fixing the cost of procuring and caring for new business item by item is socialistic, is illogical, is cumbersome, is vexatious, is destructive of all agency efficiency, and is totally without any justification whatever from any facts that ever existed in life insurance or that now exist.*

3. Limitation of contingency reserve.

As this topic has been discussed by the President of another company, I shall touch upon it only briefly. To show the profound wisdom of Mr. Gladstone's criticism as to the difficulty of legislating wisely when legislating quickly, we have only to cite the first recommendation of the Legislative Committee on the limitations of contingency reserves. That recommendation would have permitted the New-York Life Insurance Company to accumulate as a contingency fund only 2½% of the net value of its then outstanding insurance, and within a few years would have reduced that contingency fund to 2% of the net values. This recommendation was disregarded by the Legislature sufficiently to fix this contingency reserve for the large companies at 5%. The decline in bonds and stocks held by the Mutual Life and the Equitable plus the decline in bonds held by the New-York Life between December 31, 1906, and November 1, 1907, was over

*Section 97 was amended by L. 1909, Chap. 301, and by L. 1910, Chap. 697.

$73,000,000. This was 8½% of their market value, and over 6% of the entire reserve liabilities of the companies. I assume that the next Legislature will not hesitate long over this section of the law. Fortunately, before any company was obliged to pay out money under this provision of the law, the operation of natural laws demonstrated not only the needlessness but the danger of section 87. In the light of present conditions, large margins over the mathematical reserves of the companies, especially where those reserves themselves are large, do not appear to be so much a public menace as they did two years ago. Indeed, the movement downward in the value of securities has been so severe that the danger now seems to be from panicky action taken at the other extreme. The Commissioners of a number of States recently met and decided that in making up their Balance Sheets the companies may use market values of Stocks and Bonds as they appeared at the end of 1906. Another movement has been inaugurated, which has gained some headway, demanding that not only life insurance companies but other financial institutions make up their Balance Sheets at the end of this year, entering all bonds on which interest is not in default and on which the principal is well secured at cost value increased or decreased by amortization. The practical and conservative life insurance man may well cry out, "A plague o' both your houses". Deliver us, on the one hand, from bad legislation; deliver us, on the other, from Balance Sheets which are mild declarations of insolvency. Balance Sheets should be made up on market values. Market values should not be taken at any instant, but they should be, as the decisions of the Courts in many States have held, "fair" or "average" or "normal" values, values that could be realized during the period of time which would probably attend actual liquidation of a company's assets.

It is pertinent to observe just at this point that the enactments of the Legislature of 1906 in this State record the first attempt by the State to discourage conservatism in management. These laws limit the amount of business that a company may do, compel annual distribution of surplus, compel this distribution to be so made as to leave margins of safety which in the light of existing conditions all men admit are insufficient, permit a departure from the long-accepted standards of calculating a company's liabilities during the earlier years of its policies, and generally reverse all previous theories of legislation and run counter to the conviction that has heretofore controlled sound life insurance management everywhere. It is strongly to be hoped that in the present critical condition of security values no management will take a position which is in harmony with this tendency.*

Another subject on which I wish to offer a word under this general heading, because it seems to belong here, is the effect had on the writing of insurance on substandard lives by the section of the law which prohibits the further issue of business with deferred dividends.

I maintain that the greatest achievement amongst all the great achievements in life insurance between 1892 and 1906 was the development and perfection of plants by which insurance was freely offered on impaired lives. Time doesn't permit me to dwell upon the benefits to the public, to the companies, and to their agency organizations of business of this kind. It was a distinct achievement. It was like a new discovery in science, or an improved method in manufacturing by which waste products are utilized. It brought life insurance in a perfectly sound form to thousands of men who needed it most, who

*Section 18 was amended by L. 1909, Chap. 301 and by L. 1910, Chap. 634.

desired it profoundly, and who could not buy it at any price.

Neither can I stop to explain in detail why this business was seriously crippled, indeed made relatively of little use, by the discontinuance of insurance on the deferred dividend plan. Such, however, is the fact. But let me show you in a word what has been done by the New-York Life Insurance Company alone in this field of labor. In 1896 that Company placed on its books 1,000 policies involving $1,500,000 insurance; in 1897, 1,900 policies for $2,500,000 insurance; in 1898, 4,500 policies for $6,600,000 insurance; in 1899, 9,700 policies for $16,800,000 insurance; and so on until in 1904 it wrote policies on 25,500 sub-standard lives for $35,200,000 insurance. From that date down to the close of 1906 about the same proportion of sub-standard business was done. At the close of 1906 that Company had 130,400 sub-standard policies in force carrying $228,253,000 insurance. It had paid over $10,000,000 in death-claims under this style of insurance, and its ratio of mortality was 95% of what it had anticipated. Of course the Legislative Committee had no thought or desire which would naturally or directly lead to the practical destruction of such a useful plant. Yet there is hardly any phase of insurance as offered by the New York companies at the close of 1906, and no phase of the work of the New-York Life, which was so directly and so immediately affected by the legislation of that year.

The primary functions of the State with respect to life insurance are, first, to make it safe; second, to make it honest; and, third, so far as the State can, to make it useful. The most important of these, of course, is the first. Life insurance had better not be than to be unsafe. It had better be sound and dishonest than immaculate and impotent. Whether or not life insurance is useful depends on whether or not it is successful, and that in turn

depends on men. On the first two points the State is all powerful; on the third it can do little, unless it is prepared to become entirely socialistic and undertake all the guarantees which the companies now carry.

Two years ago the New York companies occupied a commanding position in the life insurance world. They had not only insured the citizens of their own State, but they had gone into every State in the Union and into every civilized country in the world. It was both a tribute to the companies and a high compliment to the estimate in which the commercial world held the wisdom, the sanity, and the justice of the law-making body of this State that corporations under its control could thus command the confidence of the business men of all nations. This constituted a trust which was in the hands of the Legislature of the State. What the Legislature might do concerned not merely the people of New York State but thousands of people attached to every race and every speech and every government. The condition made it imperative that the law-making body of this State should know that companies bearing charters from New York were sound and honest. It made it imperative that action should be taken slowly. It made it certain that legislating quickly meant legislating unwisely.

We have better knowledge now of life insurance and of the companies chartered by this State. Time has pointed out some of the errors made by the Legislative Committee and some of the errors made by the Legislature. They are such errors as have always been made by honest men seeking reform. They are errors, however, which to a considerable degree can be remedied, and a remedy is demanded by the imperial position of this State, by the interests of the citizens of the State, by the existing obligations of the citizens of the State to the citizenship of the world.

Repeal no law which makes the companies sound; repeal no law which makes the companies honest; repeal no law which demands the fullest and the most exacting publicity.

Amend the laws where the State has done partly well and partly ill. Amend section 97. Amend section 83 so as to restore every sound facility for the issue of insurance on impaired lives.

But, in some cases, amendment is not enough. Justice and sound public policy demand that certain sections be obliterated from the statute books. Repeal that section which suggests that the officers of the life insurance companies chartered by New York State are more likely to be criminals than other men are,—the section which provides that any infraction of any portion of the insurance law shall be a misdemeanor. Wipe out that gross reflection. Repeal that section which in a few years may involve the financial integrity of the companies and the good name of the State. And because it is the product of false philosophy, because it misrepresents American capacity and American ideas, repeal that section which limits the growth of beneficent institutions, which says that men cannot be found big enough and honest enough to manage corporations which express the spirit of the age and the methods of the age.

LIFE INSURANCE IN ITS RELATIONS TO SOCIOLOGY

An Address before a Class at Yale University, Wednesday, February 5, 1908

IN order that we may see clearly what the relations of Life Insurance to Sociology are, it will be necessary to set up before our eyes a part of the frame-work of Sociology and to call to mind certain of its precepts. In doing this I shall use an adaptation of the language of one of the most prolific writers on the subject, Mr. Herbert Spencer.

Sociology is declared to be the "science of society, or the science of social phenomena". To the layman the word "science" conveys the idea of exact processes, and it would not be difficult to conclude that by this standard there is no such science as Sociology. Social phenomena, even to the student of some attainments, seem at first to be almost without any exact processes, governed by almost no laws. And yet, beneath the structure of society as we see it to-day, there are some well-established laws, although the processes of society are still constantly shifting, and many of the institutions of society, such as gov-

ernment, constitutions on which governments rest, and statute law, are constantly changing.

To get a view of the science of Sociology as a whole we must take account of three things, (1) the structure of society and its subordinate structures, (2) the functions of these various structures, and (3) the purpose and meaning of both.

Society is an organism, but it differs in some important respects from a living organism. In society, as in the living organism, there is an increase of structure and of function with growth; the activities of the different parts are so related to one another as to cause mutual dependence; there is an increasing disability of each part to perform the functions of other parts; an injury to any part becomes an injury to all; and a benefit to any part a benefit to all. In the living organism consciousness is concentrated in a small part of the aggregate; in the social organism it is diffused and all the units possess capacity for happiness and misery. Society, in other words, exists for the benefit of its members, and not its members for the benefit of society. Study of the Sociology of Japan might make it necessary to modify this statement, because apparently in their social plan, if they can be said to have a plan, all the units exist for the benefit of the State and not the State for the benefit of the units.

Like the individual organism society has three subordinate systems, namely, the sustaining system, the distributing system, and the regulating system. The sustaining system is that upon which all depends, as without it the organism perishes. But, on the other hand, neither in an animal nor in society can development of the sustaining system or of the regulating system go on without corresponding development of the distributing system. The importance of the last—the distributing system,—I shall emphasize later on.

The family is, of course, at the foundation of all society, but until moral consciousness and the sex relations which we call monogamous were developed, there was and there could be, properly speaking, no such thing as the family, as the social unit. Under promiscuity, or polyandry, or polygyny, there was an absence of those exact processes which seem to be essential in organic development. With monogamy came a more definite status, not only to the family, but to its members. Women quickly attained a position which made them more dependent and at the same time more important in the social plan. Children took on a new relation, and their lot, together with that of the aged, was not determined according to the exigencies of the case, but by the promptings of affection and a sense of responsibility. The playful suggestion of a distinguished physician that people who are no longer useful should be put out of the way is, after all, only a proposed revival of what was once a grim reality. As parental care has become more elaborate and prolonged, as the reciprocal solicitude of child and parent has grown up, the social machine has become more complex, Under the *régime* of the family every species must fulfil two conflicting requirements: during a certain period each member must receive benefits in proportion to its incapacity, after that period it must receive benefits in proportion to its capacity. The law that the least worthy shall receive the most aid is essential for the immature. The species would disappear if parents did not conform to it. The opposite law has been held to be necessary for the maintenance of general society; but the most advanced forms of society are more and more recognizing an obligation to the dependent classes, which are constantly added to both in extent and in number as the structure of society increases in complexity.

Whatever has been achieved in society has been the result of two forces: co-operation and conflict. Sometimes men have worked together, and sometimes they have fought. Both co-operation and conflict, which began between individuals, have been carried on by families, clans, tribes, and nations, and have been extended to the sub-divisions and sub-structures of society. They have included the rulers and the ruled, and have influenced the development of industries, education, governments and religions. Conflict has not been an unmixed evil. It has caused contention between worse and better tendencies, methods, and purposes. It has broken down useless barriers. It has built up new barriers against demonstrated evils. It has repressed and stamped out what was sinister and abhorrent. It has opened the way for larger and better co-operation. But it has been infinitely cruel and infinitely wasteful.

Co-operation implies organization, and at first conveys the impression of an absence of conflict. By a strange law, however, conflicts which are as cruel and as wasteful as the conflict we have in mind when we speak of the struggle for existence have grown out of co-operation. With a division of labor, which began early, men specialized. Each did that particular work in industrial society for which he seemed best adapted. Men doing the same work were naturally drawn to each other. They recognized after a little that other men doing some special thing would infringe on their rights unless they organized themselves for mutual protection; and so sprang up the various trades, then guilds were organized, and the conflicts began which have continued through all history and find a place in the contests that are on to-day between organized labor and organized capital. Here again, out of the complexity of the social organization, grew a condition which ultimately added largely to the dependent class. With labor

specialized and highly organized, with men taught to do not many things—as men did in the primitive form of society—but only one thing, or a part of one thing, a social or industrial upheaval resulting in the paralysis of the machinery of society was inevitably followed by large additions to the class which is relatively incompetent, and a corresponding increase in the burdens on general society.

It is obvious, therefore, that there has been a dependent class from the beginning. It existed as soon as there was anything like moral consciousness in sex relations, in the family, and it existed in society at large as soon as there was a division of labor. What the family undertook to do from the beginning in care for the immature, reciprocated later on by the care of children for aged parents, society has done unwillingly and haltingly. Crude systems of relief, both public and private, are as old as history. It was a long time before any one perceived that the subject could be put on a scientific basis, and the application of that discovery to social needs has always been imperfect and grudging. The first step, like the first step toward the establishment of any exact science, was the discovery of law. It had probably always been noted that the mortality among children was greater than among adults, and greater among the aged than among those in middle life, but in 1693 Dr. Edmund Halley discovered that there is a law governing longevity. From a careful study of the burial registers of the town of Breslau, in Silesia, he found indications that every age has its death rate, and subsequent investigations have proved the theory true. To be sure, there are now many mortality tables, no two of which exactly agree, but nevertheless the principle of a steadily progressing death rate among men after they reach maturity is established. This discovery laid the foundation of a new social process. From it sprang the

idea which has developed into that great modern structure which we call Life Insurance.

The law of the termination of life, which was now found to be as certain as laws governing the beginning of life, the sustaining of life and the regulation of life, may be regarded either as a law of longevity or as a law of mortality. Regarded as a law of mortality it shows man's danger; regarded as a law of longevity it shows how man may protect his family and estate against that danger. Men were slow to recognize how this law could be applied and what possibilities it involved.

That children must be educated, if society was to be maintained, was long ago recognized. Acting through the regulative system, men decreed that education was so important that it must be made a charge on general society; it could not be left to the caprice or incapacity of parents. Laws were therefore enacted compelling the attendance at school of children within certain ages, and making provision for such children at the public charge when necessary. This takes on a suggestion of charity, which to many people has seemed offensive and to others has seemed unfair; but the implication of charity has disappeared in the general mind and the sentiment is now almost universal that this is a just and proper function of the State. But for those other dependents who are the product of increasing age, of ill health or industrial upheavals, of disease, and of general misfortune, the State has made grudging and imperfect provision. Such provision probably always will be imperfect. The solution of the problem lies in the introduction of a scientific process which will decrease the dependent class and will provide for it in a manner which involves no charity and no humiliation.

The first attempt to apply the discovery of Dr. Halley to the mitigation of these conditions was in the organization of the Equitable Society for the Assurance of Life

and Survivorships in 1762, three-fourths of a century after the Breslau tables were compiled. During the one hundred and fifty years following their compilation the growth of the idea and the application of the principle was very slow. There was no comprehensive attempt to give this discovery its natural place in the social process until about 1843; and, until about fifty years ago, there was no recognition of the fact that it could not be made an effective part of the social machine without the creation of an organization which corresponds to the distributing system in general society.

Life Insurance is a new social process based upon law, a basic law which is certain and dependable. The discovery of social laws, so far as such laws have been discovered, has usually been made only after conflict and waste. They are indeed the survival of the fittest tendencies, and are not exact in their working or results. They are frequently the outworking of individual interest and brute force, modified by a varying sentiment of morality and justice. The co-operating factors, such as capital and labor in the industrial processes, are usually more or less at odds as to the proper bases of co-operation, and there is no method of measuring the value which each co-operator contributes, or the share which he should receive. What should be a fundamental factor in all co-operation, namely, a practical equality of interest, has usually been lacking. Even those great political structures, the unwritten Constitution of England and the written Constitution of the United States, which are expressions of the principles of free government as nearly perfect as the wisdom of the ages has been able to discover, deal only with the negative side of life. They only give *opportunity* for social processes which have a moral quality, which take account of the future, which provide for the continuity and betterment of the race.

Life Insurance, on the other hand, introduces a co-operation that is more scientific, more far-reaching, and has a higher ethical quality than anything that has ever been incorporated in any written constitution or in any body of political precepts.

As a factor in Sociology Life Insurance has recently reached a crisis in its development and in its usefulness. While the discovery that each age has its own longevity was made more than two hundred years ago, society did not develop to the point where it made vigorous and effective application of the idea until the latter half of the nineteenth century. It is not easy to explain this slow development. Was it the inertia of men, or a lack of moral perception, or a lack of responsibility, or a general inability to understand that a new social process had been discovered? Or, was it all combined? It is undeniably true that of the three great systems—the sustaining, the distributing, and the regulating,—the distributing has developed most slowly, and the development of this system has been the most striking phenomenon in all recent social progress. Think for a moment what the development of this system comprehends: It includes transportation, which we all recognize as being second in importance only to production; it includes all the activities of trade; it includes the services of the telegraph and the telephone. Through these agencies, which we may call the servants of the distributing system, society has with renewed courage, and with great rapidity erected its fabric,—vast geographically, vast in its power, vast in its possibilities. But the most striking sociological fact in our recent development is that the distributing system has come into conflict with the limitations of written Constitutions. Sociologically the Nation, although it now occupies the heart of a Continent and faces two great oceans, is more compact than were the Thirteen Colonies when the Constitution of the

United States was adopted; governmentally it has forty-six frontiers with which the distributing system has to reckon. Conflict is coming, indeed is already on. The serious conflict with which Life Insurance is faced, and of which I shall speak in a moment, is really a part of this conflict.

Something like fifty years ago certain men, with the genius of leadership, recognizing the service that Life Insurance was calculated to render to society, and recognizing that an adequate distributing system was necessary to its development, undertook to adjust to society the scientific Life Insurance made possible by Halley's discovery. They effected that adjustment by the creation of an efficient system of distribution. That is to say, they proceeded to extend the operations of Life Insurance through bodies of trained representatives, through what is known as agency organization.

Let us consider briefly just here how the Life Insurance idea worked in conjunction with other structures and methods of the social organism until it reached the point of crisis to which I have referred. It found itself in harmony with substantially every other social structure, and it used conditions as it found them. It used the legal profession in its organization, in corporate operations; it used the medical profession in its selection of members; in the creation of its distributing system, it used the printing press, the mails, the telephone, the telegraph, and organizations of men corresponding to the organizations which exist in every type of business. It used financial organizations in the collection and transmission of funds; mercantile methods in accounting for them and in their safe keeping; it used investment methods to secure an income from its accumulated funds; banking methods in distributing funds; it took up a legal domicile and subjected itself to the regulating system of society wherever it went. It

flourished mightily; and there seemed no natural point of conflict between it and any phase of the three great systems in society. But, almost from the beginning, there was a species of conflict between Life Insurance and the regulative system, otherwise known as the State. Of course the State isn't in any business that conflicts with Life Insurance. On the contrary, Life Insurance co-operates with the State more effectually than almost any other form of business organization. It not only provides for dependents but it prevents an increase in the dependent class. It elevates the standard of ctizenship, and it makes available for State, municipal and industrial progress the small savings of large numbers of people. The State and Life Insurance are at one in the purpose to make its benefits sure and available to as many people as possible. Nevertheless the State has more and more treated Life Insurance as a thing to be discouraged. It has for years increased its normal cost by taxation, and within two years the State of New York has advanced the almost unprecedented doctrine that organizations beneficent in their character and their purpose can, and indeed already have become a menace to the State because of the success they have achieved and the consequent size which they have attained.

The strange, un-American and economically unsound doctrine advanced by the State of New York, and legislation based on this doctrine, have brought Life Insurance as a factor in Sociology to a period of crisis.

New York has put an arbitrary limitation on the cost of new business, on the total cost of administration, on the amount of new business a company may do, on the amount of surplus reserves it may hold. Wisconsin has fixed a maximum premium a company may charge. Missouri has placed a limit upon the amount of salary which may be

paid to an officer of a company.* Texas has declared not only what securities a company may purchase, but what it must purchase if it does business in Texas. In a considerable number of the States Life Insurance has been denied the protection of the Federal Courts, and the Constitution of the United States to that extent has been nullified. These enactments by the regulative system of the State are, in nearly every instance, unprecedented and revolutionary. They inject a new type of conflict into the social process. They all interfere directly with the development of the distributing system of Life Insurance; they are all reactionary.†

This conflict is not only unnecessary but unnatural. It is clear that an organization which is in harmony with the individual units of society, and with all the other interests of society, organized or unorganized, must be in harmony with society as a whole. In the earlier development of society it was not unusual to find what amounted to a confession that the State was unable to regulate, and therefore must exercise its power to destroy, but such a declaration by any body of men living under the Constitution of the United States is more than startling, it is amazing. Such a doctrine was advanced and abandoned more than three hundred years ago. I doubt if the legislators who enacted the insurance laws of New York State in 1906 ever heard that a statute was passed in the reign of Elizabeth declaring that the City of London had become so large that "such multitudes could hardly be governed by ordinary justice to serve God and obey her Majesty", and that in 1581 a proclamation was actually issued forbidding any new buildings. It goes without saying that society even then quickly became

*This law was repealed in 1911.

†See foot notes on "New York State and Life Insurance Legislation."

ashamed of such confessions of incompetence, and it seems fair to infer that New York State will soon become ashamed of the declaration of incompetence which the Legislature of 1906 made in its behalf. The section of the New York law which limits the amount of funds which a company may hold against contingencies is contrary to all previous legislation on the subject, and is unsound in theory. As it stands now, the law fixes the minimum amount which a company must hold or go into bankruptcy, and a maximum amount which it is criminal to exceed, and the difference between the two is not nearly so great as the fluctuation in market values in the best securities during the past year. This might be called regulation reduced to an absurdity, if it were not at the same time regulation which may end in destruction.*

With a strange disregard of consistency the New York Legislature, which declared that the regulating power of the State had failed, proceeded to call on the State to attempt the administration of business, a process which is confessedly much more difficult than regulation. They prescribed not only how much may be paid for new business, but how and when it may be paid. They virtually declared how much of an agent's earnings he must save, by prescribing that a part of those earnings shall not be paid him until a year or two years or three years after his work is done. They adopted a program which in effect encourages extravagance in the non-efficient companies and ties the hands of the efficient companies. Had the New York legislators never heard of the long series of abortive attempts that have been made in the past to regulate wages and prices by law? *Are we demanding too much of those who aspire to political leadership if we insist that they shall first learn this lesson, viz: that the function of the regulating*

*The danger of this law has since been somewhat reduced by adopting the amortization method of valuing bonds.

power is in maintaining men's rights and not in directing their activities?

Let us consider now to what extent Life Insurance, in spite of its conflict with the State, in spite of the crisis which it faces, is fulfilling its function. This is a fair question. As I said earlier, society exists for man and not man for society. Organization is nothing in itself. Does organization accomplish the end for which it exists? That is the question.

In his work on General Sociology, Dr. A. W. Small, the head of the sociological department of the University of Chicago, uses the word "achievement" in connection with present sociological conditions in a way that is somewhat startling. We are accustomed to think that the American people are getting on in a way to make us all proud, and yet when the results of all of our social processes are mapped out and summed up as "achievements", we begin to see how far we fall short even of our own ideals. We see that we have only made a beginning in actually securing health, wealth, proper human relations, knowledge, arts, and religion.

What are the achievements of Life Insurance?

On December 31, 1906, the latest date for which complete figures are available, there were in force in the life companies of the United States nearly five million policies of Life Insurance on the ordinary plan, for an average amount of a little over twenty-one hundred dollars each, and nearly nineteen million policies on the industrial plan, for an average amount of about one hundred and ninety dollars each. Industrial companies insure all members of the family above one year of age, the amount of insurance on the lives of children being limited to burial fund proportions. There were also in force about seven and a half million certificates in societies operating on more primitive plans, calling for an average death benefit

of over eleven hundred and sixty dollars. The amount of the accumulated funds of these various organizations was somewhat over three thousand million dollars, over twenty nine hundred millions belonging to the organizations operating on scientific plans. The total amount paid annually to the beneficiaries of these various organizations is about 375 million dollars. Making allowance for those insured in foreign countries and for those who are insured under more than one policy, there are approximately three in ten of our total population insured under some form of contract, two in nine under contracts having a scientific basis, and one in twenty-one under a system that provides, by a scientific plan, benefits for dependents in case of premature death and for the support in old age of those who attain old age.

Life Insurance has fallen so far short of the achievements involved in Dr. Halley's discovery, (1) because the meaning of that discovery was not quickly recognized, (2) because no adequate system of distribution was instituted until within recent years, and (3) because the State has recently attacked, partly destroyed, and rigidly limited, the future operation of all such plants.

The old Equitable Life Assurance Society of London, organized in 1762, and still in existence, has been frequently referred to in the discussion of recent legislation as an example of what a Life Insurance company ought to be. The history of that company brings us many lessons. By its persistence for nearly one hundred and fifty years it shows how completely the function of Life Insurance co-ordinates with the functions of other social organisms. That company has no distributing system, no agency organization, and, as a result, what do we find? That the institution has accomplished comparatively nothing. Although managed with fine fidelity, it has merely marked time throughout the whole period

of its existence. Discussing this situation something over two years ago, I said:

"If the world generally had followed the example of British Life Insurance during the nineteenth century, and the example of a few American companies during the last half century, England would now be a second-rate power, Germany would be made up of impotent, quarreling States, the United States would never have gone west of the Mississippi River, and the Japanese would be using bows and arrows."

No institution so clearly proves the absolute necessity of a distributing system, an agency organization, as does the old Equitable. It proves my contention on the negative side. The history of certain great American companies, their prodigious growth, their wonderful success, the great service which they have rendered the world through highly-organized distributing systems, establishes the claim affirmatively. The absence of any distributing system in the old Equitable, coupled with its lack of achievement, completes the argument. Whatever the achievements of Life Insurance have been, whatever its development during the last fifty years has been, is due immediately and directly to its agency force, to the zeal and intelligence with which its gospel has been preached, to that part of its organization which has finally come into conflict with the State.

It is time now to take cognizance of the ultimate meaning of Life Insurance. "We do not reach science", says Dr. Small, "until we advance from knowledge of what has occurred to knowledge of the meaning of what has occurred".

Let us examine Life Insurance a little more closely while it is performing its function in society in order to ascertain the meaning of what occurs.

(1) Take a group of men aged twenty-one. When they insure their lives what does it mean to them?

It means that they have initiated a new social process by which they will be able to pay their debts, by which the probability that they or any member of their families will ever be added to the dependent group in society is greatly decreased.

Sociology shows that for everything which distinguishes the present state of society from barbarism we are indebted to the past. Every man is a debtor according as he has received, and the young man who has been nurtured and educated by the social processes of the present generation owes a great debt. It will take time to pay it, and time is the one thing he is not sure of. He may die to-morrow. Life Insurance shows him that a certain proportion of the men of his age will die during the coming year, and that other members will die during each ensuing year until all are dead. It shows that, while some will not live a year longer, others will live over seventy years longer, and that the average number of years which all will live after age twenty-one is over forty. The man who dies young cannot possibly pay his debt by ordinary methods, but Life Insurance is a process in which the man aged twenty-one is dealt with on the assumption that he will live forty years longer. By a small sum which he has already earned, and other equal sums which he may earn in each year as long as he lives, he provides for the payment of his debt, whether he dies soon or lives long. This means to him an increasing sense of self-respect and of freedom. He has made provision from his own resources for paying his debt; and he now plans and works, not in the shadow of a doom that may interrupt his plans and cut short his work, but with the assurance that his plans may be carried out and his work completed, in a measure, no matter when death may inter-

vene. This danger to his life plans, which was before vague and uncertain but absolutely fatal when it came, has now been definitely located, measured and provided for. He may now plan and work on the assumption that he has forty years of life before him. He has capitalized his youth, his health, his education and his skill in a form that enables him to pay his debt, but not in a form that enables him to spend it or lose it. On the other hand he is now at liberty to use more freely in other ways the capital he accumulates by other methods, because he has provided for the future of his family.

Again, if it be said that Life Insurance does not directly create material values, but is only a method of distribution, the sociological answer is that distribution is necessary in order that other social processes may go on. The grain raised on a Western prairie would have little value if it could not be so distributed as to be available for those who need it. It is worth more in Chicago than where it grew, more in New York than in Chicago, more in Liverpool than in New York. Our whole transportation plant, which earns more than almost any other single industrial plant in the country, is based upon the principle that distribution adds to value. A human life strictly by itself may have little value. As a part of the social unit which we call the family, it has more value. As a part of the civil organization which we call the State, it has a still higher value—higher chiefly because it is now in combination with others. As a member of an organization which may comprehend millions of similar units, based on an immediate capitalization of the value of every unit, in other words, as a factor in the co-operation and distribution which Life Insurance inaugurates, the individual life finds its highest sociological usefulness.

Life Insurance not only increases wealth by distributing it—it transforms material wealth into social wealth.

Money is of value only for what it will buy, and the wise man is continually exchanging it for something better. Life Insurance transforms money into comfort, self-respect, education, character. From a sociological standpoint processes are valuable according as they create conditions and sentiments favorable to still better processes. The co-operation of patriotism creates conditions, but it adds no new element to human association and it ultimately depends upon force and violence. In the co-operation of industrialism the utilization of new materials and new processes is a most important sociological feature, but new processes and new machinery render the old useless and create new conflicts, so that the net gain to society is thereby diminished. Life Insurance introduces a new element into co-operation—the continuity of the race—and upon this basis it erects a social structure that destroys no pre-existing values, creates no new conflicts, and depends in its operation upon moral and social forces. It seeks what the sociologist seeks—the betterment of society, that is, the society of the future. It makes its appeal to the profoundest instincts of manhood, and those who answer the appeal are so quickened in their moral nature that they are better prepared for their other work as social units. Patriotism,—admirable as it is,—tends to separate men of different nationalities, to make them contingent enemies; industrialism,—necessary as it is,—introduces a competition that is akin to war, and its progress is attended with conflict and waste. Life Insurance draws men together as moral and social forces whose highest interests lie in the future and in their children.

(2) What does Life Insurance mean with respect to those for whose benefit men insure? So long as the head of the family lives, all the members share with him to some extent in the improved status which Life Insurance

gives to the family as a whole. If he dies prematurely, Life Insurance prevents the pathological condition into which his family would otherwise fall. They are not placed in abnormal relations to the social organism, but are enabled to continue the *status quo*. Their development will proceed in an orderly manner, without any violent change of relations in their environment. In this environment a sudden change, either from affluence to poverty or from poverty to affluence, is not in accord with the most helpful social process and is in either case usually a misfortune. Life Insurance rates a man at what he is worth, not by any arbitrary standard, but by what he is, physically and economically, and at his death it passes this value on to his family.

Again, Life Insurance fulfils for the family the law of the family, the first law of Sociology, that members are to be treated according to their needs, and not according to their capacities. It makes provision for that education and culture of children which the father would make if he lived. Society at large, seeing the necessity of education, creates and maintains, as I have noted, at great expense an educational structure, in order that all children may receive some degree of the training necessary for their efficiency as units in the social organism.

"The primary symptom of failing health in a body politic" is declared by the sociologist to be "lack of opportunity—opportunity primarily industrial, then opportunity of every sort in which the interests of the individual are capable of being effective". Obviously, the opportunity of an education is lacking to the child who is kept from school to add to the income of the family by its labor.

(3) What does Life Insurance mean to society at large? As society is made up of units, it follows that the

well-being of the organism will be promoted by anything that benefits the individual units. If Life Insurance enables men to pay their debts and to work according to larger plans; if it creates a new social process that avoids conflict and waste; if it adds to material wealth by scientific distribution and to social wealth by its wise response to social needs; if it enables the family to develop along normal lines, without any of those violent wrenches which tend to throw the social organism out of gear; then it supplies the conditions and forces for a normal and healthy development of society itself. Society always has on its hands certain classes of dependents for whom it must provide—one of its most difficult problems. It grapples with such problems with clumsy hands. They belong to the family and can properly be solved nowhere else. Life Insurance tends to prevent any further increase of this class, and by increasing the number and maintaining the efficiency of the better class, it strengthens the hands of society for the work it must do. It increases also the number of those who, having provided for the sustentation of life, are able to give time and strength to the augmentation of life—to its enrichment by culture and the arts and to the development of better structures in the social organism. It is thus in harmony with the final purpose of the social process which is declared to be "the incessant evolution of persons through the evolution of institutions, which evolve completer persons, who evolve completer institutions, and so on beyond any limit we can fix".

REMARKS ON EXISTING LAWS AND EUROPEAN BUSINESS

BEFORE A MEETING MADE UP OF THE AGENCY AND HOME OFFICE ORGANIZATIONS IN FRANCE, ON THE OCCASION OF THE FIRST ANNIVERSARY OF HIS ELECTION TO THE PRESIDENCY. JUNE 17, 1908

GENTLEMEN: I respond cordially to the sentiment expressed by our Chairman, Mr. Ingersoll. He referred to the New-York Life as the leading institution in life insurance; I would carry the sentiment even farther and congratulate you on being assembled for the furtherance of the interests not only of the greatest Company but for the furtherance of the interests of the greatest business in the world.

I cannot adequately express the pleasure it gives me to meet the Company's organization in France in this way face to face, without a reference which may seem to you almost personal—a reference which I trust you will consider not out of place.

All the scenes of my childhood and the traditions which surrounded it, were associated with the names and deeds of great Frenchmen. Almost within sight of the spot where

I was born and the town in which I grew to manhood, occurred, three hundred years ago, a battle, which, while not generally rated as one of the great conflicts of the world, was beyond question one of the decisive events in the world's history. In July, 1609, Samuel de Champlain and a band of eighty Huron Indians met, not far from the present site of historic Fort Ticonderoga, a band of a hundred Iroquois Indians, and a battle ensued that was short, sharp and decisive. The white man's fire-arm humbled the proud Iroquois; but as the result of the conflict the Iroquois became the implacable enemy of the French—an enmity which mightily influenced all the future history of the American Continent. That battle and its results and traditions are almost a part of the folk lore of Northern Vermont. One hundred and fifty years later came the victory of Montcalm over the allied English and Americans. This conflict was also fought within the same horizon, and its traditions remain to this day.

Between the time of Champlain and the time of Montcalm there is a long line of French heroes, the record of great deeds by great Frenchmen, which will for ever remain a part of the history of all America. They were bold adventurers—those early Frenchmen—explorers, empire-makers; some of them great priests carrying the Cross. Associated for ever with the discovery and development of the Mississippi Valley are the names of La Salle, Marquette, Hennepin, Joliet and Tonti: they were the boldest men of the time; they had not only courage but imagination. While the English, with that genius for colonization and dogged determination which have made the British Empire, were colonizing and developing the Atlantic coast, Frenchmen were laying out trails through a new world, opening up what was then a dark and unknown country.

As a boy I lived, and played as boys do, on the shores of the Lake whose name is a worthy monument to that first

great path-finder—Champlain. I am also one of those whose ancestry goes back directly to the men who fought in the American Revolution. I was early taught to revere the name La Fayette, almost equally with the name of Washington; and to-day on the campus in front of the principal building of the University from which I graduated stands a beautiful bronze figure of La Fayette.

A man or an institution usually has the reputation that the man or the institution deserves. The New-York Life has in France been doing work which it was chartered to do, for a period of thirty-eight years. It has for thirty-eight years kept the utmost letter of its faith with the French people. Thirty-eight years of just and honorable living entitles a man and entitles an institution to a good reputation; and I think I do not overstate the fact in claiming that the New-York Life has deserved and has in France, a reputation which is second to none.

May I acknowledge just here, because the acknowledgment is due and because I shall probably never have a better opportunity, the obligation which the Company is under to its General Director for Europe, Mr. William E. Ingersoll. I doubt if any man, not charged with large responsibility at the Home Office of the Company, can fully understand the importance of having at a point like this the right kind of man. It is always possible to criticise any man; I sometimes think that criticism comes more easily than praise. It would be possible to find men who in this quality or in that quality might be said to surpass our General Director; but take him all in all, up and down, day in and day out, year in and year out, for a period covering more than an entire generation, at a point when problems were peculiarly difficult and vexatious, and I doubt if the Company in all the round world could have found a man who would have served it better than Mr. Ingersoll has.

May I add another word of acknowledgment. We appreciate in New York beyond expression the faithful service, the patience, the industry, the capacity and, above all, the fine fidelity of those loyal men who have so long served the Company here both in the Head Office and in the Field.

This meeting to-night practically completes a trip which was planned in order that I might acquire a kind of information which I never could otherwise become possessed of: I wanted to see not only the extent of the Company's organization, but its quality. I wanted to see and know of what fibre it was made, how it ranked in the country, where it might be domiciled; and so I have been to Spain and Italy, to Hungary and Austria, all through Russia, and to Germany. I thought I understood adequately the honor which came to me a year ago to-day when the Board chose me as the official head of the Company. I had often referred to the institution in its international relations; I had always been an advocate, generally speaking, of its foreign business; but now that I have substantially completed a journey through that part of the world where life insurance is most important, now that I have seen and know by direct and affirmative knowledge the position which the New-York Life holds, I believe I have a truer understanding of the quality of the Company's position in the world and of the extent and the importance of its opportunity: I am sure I have a deeper sense of obligation to the Trustees who elected me, and to the policy-holders who elected them.

In responding to your congratulations on this occasion, I have no formal address to make. My meetings everywhere have been informal; my purpose has been not to instruct but to learn.

The times are hard; these are the days when the organization must get into compact formation. There perhaps was never a time when the organization in Europe so much needed direct assurances from the Home Office.

The events in American life insurance during the past three years present one picture when seen from New York and another picture when the observer has your view-point. Reviewing those events during the past two months from the European standpoint, I have asked myself this question: what would I have done if the situation had been reversed? Suppose I in New York had served a European company for the better part of my lifetime, and suppose a similar upheaval had come in the business in which I was engaged, and suppose within my own company there had been tragedies, and suppose my sources of information had been largely the misinformation which came from an hysterical and irresponsible press,—would I have been as faithful, steadfast and loyal as you have been? I have not yet been able to give myself a satisfactory answer to my own question. And so I say you are entitled to know by direct assurance, by such authority as I, under the By-Laws and the election of the Board, can bring you, not only what the real situation in New York is, but what the attitude of the Company is toward you.

First, as to the situation in New York. The present life insurance laws of that State are in many respects bad; they are in many respects good. They were passed in haste under the pressure of an infuriated public sentiment: they were drafted by a man whose knowledge of life insurance was limited to what he had been able to assemble hastily within a few months, during which time he was engaged not at all in discovering of what real value life insurance was to society and to the State. I am disposed to believe that in a country like the United States a certain amount of what we call "muck-raking" is periodically necessary; but the process, in my judgment, does not qualify a man to write the Statutes of a State. It has caused life insurance men and business men no surprise to discover that these laws have done many things that they were not intended to do,

and have failed to do many things that their author expected they would do. That is always the history of hasty legislation.

An earnest and sincere movement to eliminate the bad features of these laws, to correct them where the underlying principle was unsound and dangerous, was inaugurated as long ago as September last. The movement culminated in a Bill to modify the Section which not only limits but absolutely fixes the compensation that the soliciting agent shall be paid. This measure passed the Legislature of the State of New York by a practically unanimous vote. Here was evidence of the intention on the part of the people of the State of New York to do justice; here was evidence of a revised public opinion; but before the measure could become law it needed the approval of the Governor of the State, and the Governor of the State had written the Statute under discussion. It was a just amendment, so just that it had the support of all life insurance companies and the opposition of none; but the Bill was vetoed.

My assurance to you with regard to the present situation is, notwithstanding the veto by the Governor, that there has been a long advance toward a sane and sound and just revision of the insurance laws of the State of New York. I am giving you merely my opinion and you will of course take it for what you may think it worth; but my opinion is that in the year 1909 there will come material modifications in the vicious and dangerous principles contained in these laws and at no distant date a complete reconstruction and revision of the insurance laws of the State of New York.

No other conclusion is possible. I argue in this respect as I did recently with regard to the future of Russia. Travel through Russia, as I have just done; see the immensity of the country, its almost endless and marvellously fertile plains, its great rivers, its mineral resources: look

then, if you will, upon its problems, which are tremendous and ask: what is the future of Russia? You cannot forecast it without taking social and political problems into the account. How will they be solved? No one can say. When will they be solved? No one can answer; but that they will be solved is certain. That some day in that great country will be an enlightened, powerful, self-controlled and happy people, is as certain as anything can be: any other conclusion must be born of the doctrine of despair. And so I say, aside from the attitude of the Legislature of the State of New York, which is committed to revision; aside from the demand of substantially all the life insurance companies of America, which commits them to revision, I am willing to rest our cause on the splendid usefulness of life insurance, its value to society, the general fidelity with which its obligations have always been discharged, and conclude that for that reason sooner or later bad laws must be repealed, foolish laws must be modified, because the interests of society will demand it.

Now a word as to the Company's attitude towards you. When the decree went forth that the NEW-YORK LIFE after the first January, 1907, would be allowed under no conditions to issue and pay for more than 150 million dollars of new business within a year, that decree might have been considered as a menace to you particularly. If the Company had had a narrow or provincial view of its obligations, that would have been the case. But I confess it never occurred to any of us that our obligation to a man who has spent 25 years in the Company's service in Paris was any less or any different from the obligation which we were under to a man who has served all his life at 346 Broadway. You might have feared at the time—possibly some of you did—that under this rigid limitation, the Management of the Company would conclude, so to speak, to take care of its own, to cut off all foreign branches, on the

theory that within the limits of the United States the amount which the law allows us to write could be secured. Such a view of the situation never had a moment's consideration. We were compelled by the law to destroy deliberately a very large part of the structure to which we have all devoted years of enthusiastic labor; but the destruction in the United States is just as much in evidence as here: we closed relatively as many Branch Offices and cut as many salaries.

So far as the Agency organization is concerned, we have within that time retired from only two jurisdictions: over here from Portugal, because of conditions with which we could not comply, and over there from Texas, an important part of our home organization, where laws were passed worse than anything ever written on any Statute Book of Europe or covered in any Ministerial Decree.

These considerations ought to give you a fair view of the Company's attitude toward existing laws and toward its European business. I cannot guarantee that the New York laws will be modified. I believe they will be. Not only that, but I pledge you that whatever influence I possess will be employed early and late in securing a just revision. I can give you no conclusive pledges as to what the Company will do in Europe: the Board of Trustees is the supreme authority; but judging by the attitude which it has maintained for a period of almost forty years, I believe I am warranted in saying that, barring laws which are worse than those we have in New York State,—and that is saying a good deal,—we shall remain in all the principal countries of Europe. We shall remain because we hold that the New-York Life has no reason for existence unless it does the business for which it was chartered, and does it in accordance with the plans of the broad-minded men who long ago planted its organization all over the civilized world.

We believe the New-York Life ought to expand and grow. We believe that it is equipped as no other company is, to do the high order of work in which we are engaged. We believe that the unforgivable offence is committed by the institution which squanders opportunity.

The question is: how shall the New-York Life develop? How may it expand? How may its outstanding insurance of two billion dollars become four billion dollars? There is only one way—that is by a larger, a stronger and a more perfect organization of its Agency Department. And how may men of the right type be secured? In only one way: they must be offered a career; they must be offered attractive opportunities; they must be able to see fair remuneration for honest work. What then shall we pay them? That is the great question. If we could expand our two billion dollars of outstanding insurance until it became four billions, and pay the agent only ten per cent. of the premium, it would be our duty to do it. But that cannot be done. If we could accomplish that great purpose and pay only twenty per cent. commission, it would be our duty to do it. But such a program is impossible. If we could accomplish that purpose and pay forty per cent. of the first year's premium, it would be our duty to do it. But the experience of three-quarters of a century shows that it cannot be done. The great thing is to do it—do it, exercising at the same time wise economy with full publicity.

Life insurance is of such serious importance to society and to the State that, whatever it costs, when honestly done, and within the provision for cost, it is worth. The State should see that it is honestly done; should insist on rational publicity. But the real aim of legislation should be to encourage a larger production. Instead of destroying great Agency plants and undertaking the details of administration, the State would be better employed in discussing the revocation of the Charters of certain

companies which have dawdled away the years and frittered away opportunity.

I have found all over Europe the friendliest feeling toward America. I have found more than that: I have found in all classes, from Prime Ministers to porters, not only friendliness but hopefulness. America is still the land of opportunity, and the world still maintains the romantic interest that goes with such an attitude.

Opportunity: that expresses it. A profound appreciation of opportunity explains the noble proportions of our Company.

I hold therefore that the New-York Life is more than a mere Corporation doing a given line of business. To everything which it does there attaches the responsibility that is inseparable from every great social force. We have advanced into a larger world where we must meet new and larger responsibilities—a world in which the Company is yet to perform its finest service.

THE RELATION OF THE STATE TO LIFE INSURANCE

AN ADDRESS BEFORE A CONFERENCE MADE UP OF SOME OF THE LEADING FIELD ORGANIZERS AND AGENTS OF THE COMPANY, HELD AT THE HOTEL FRONTENAC, FRONTENAC, N. Y., SEPTEMBER 15, 16 AND 17, 1908

IT IS evident to the student of public affairs in the United States that we have entered upon a new era both with respect to the questions which are subjects of public debate and of legislation, and also with respect to the degree in which the legislative and executive powers of the state shall be exercised. The questions of earlier times were general in their character, concerning which it was only necessary to establish certain principles in order to settle them. The new questions are more specific. When general principles have presumably been established, we now find that we are only at the beginning of the discussion—there remain complicated questions of right and expediency in the application of principles.

It will probably always be a question just where the dividing line between State and Federal authority lies.

During the early years of the general government it was natural that the extent of its authority should have been one of the chief subjects of political discussion. One of the first issues, therefore, upon which the people divided politically was Federalism. It is instructive to note how many political issues hinged sooner or later upon Federalism—or the relations of the States to the Federal Government.

The question of expansion, which came up first in connection with the Louisiana Purchase, and which was subsequently involved in the acquisition of Florida, Texas, the territory out of which we have since created California and other States, Hawaii and the Philippines, was also a question involving the rights and powers of the Federal Government. The same was true to a large extent of the questions of a United States bank and of internal improvements. Even the tariff once threatened the dissolution of the Union on the same grounds—namely the right of the Federal Government to impose duties without regard to the protests of individual States. The question of slavery, which more than any other one question dominated National politics for over seventy years after the adoption of the Federal Constitution, involved the question of the rights of the Federal Government in the Territories, and so tenaciously were opposing opinions held that the right of secession was finally invoked and the Union, which began with compromise, was only preserved by bloody civil war.

Upon all these questions, as upon questions pertaining to reconstruction, greenbacks and silver, which have since been prominent in politics, it was easy to take sides. Men were for a strong central government or against it; they favored expansion or they opposed it; they would have a central bank under government auspices, or they would have none of it; they were pro-slavery or anti-slavery;

they were free-traders or protectionists or believers in tariff for revenue only. The issues generally stood out clear and plain.

The questions that confront us to-day also involve the question of Federal power, but they differ from former questions in being more of a commercial character, and in being exceedingly complex. The essential principles involved are not so easily apprehended by the ordinary citizen, and decisions for and against are much more likely to be the result of prejudice or selfish interest. The moral and political principles involved are more obscure and require more careful study for their proper comprehension. It would perhaps be too much to say that a higher order of statesmanship is required to settle modern questions, but this certainly is true, that they require a wider knowledge of economic laws, and more careful discrimination with respect to the proper function of the governing power.

I make this general preliminary statement in order to bring into bold relief the fact that the question I propose to discuss is not an isolated question, but that it is one of the complicated questions of the time, which calls for thorough study and broad statesmanship. It also demands that every step taken which is in the nature of an innovation should be carefully scrutinized, and that the principles involved should be clearly perceived. I may say further that the question of the Relation of the State to Life Insurance is also one which, although ruled out of the questions over which the Federal Government has jurisdiction, is nevertheless a question of National scope and importance, and the problem of its proper regulation would be greatly simplified if it could be settled on National, instead of on State, lines.

I assume at the outset that the State has the right to supervise the corporations which it has created; and it will probably be conceded that such supervision should be appropriate to the nature of the business and in accordance with well established economic laws.

I wish to call attention first to the radical difference between a life insurance corporation, and other corporations whose proper supervision is now a matter of public debate. Take, for example, a railroad corporation. Its charter does not simply authorize it to engage in the business of transportation, but it gives the right of eminent domain. If it needs your property in order to complete its line, it has the right to take it by condemnation proceedings. In other words, the railroad receives a special favor from the State because of the service it proposes to render. When it is ready for business it may not, therefore, rightfully charge what it pleases and say, if people don't like its terms they can buy transportation elsewhere. The amount of transportation to be done in the country through which a railroad passes is limited, and any railroad built there is limited to the business which the country furnishes. It takes a long time and a large amount of money to build and equip a railroad, hence in many cases competition cannot be had. In the case of a street railroad, its tracks occupy the streets and leave no room for competing roads. In the case of telephone, electric light, and gas companies, the streets must be torn up and the citizens subjected to a certain amount of inconvenience and loss before the company can perform any service, and the number of companies which can operate within a given district is limited by these and other considerations.

But a life insurance corporation secures by its charter no control over private property and no privileges which are not free to all life companies. It claims no right of

eminent domain; it occupies no public thoroughfare; it strings no death-dealing wires overhead or underground; it digs up no streets; it builds no gas tanks; it makes no dangerous crossings; it pollutes no atmosphere; its operations are noiseless; new companies are readily created and no monopoly is possible. However desirable it may be, it is not like transportation, or light—something that people can't live without. It is not something that the whole community comes to depend upon. It is rather something that no one is vitally interested in, or dependent upon, except those who voluntarily engage in it, either as insurers or insured. Except in its general bearing on the welfare of the State, it is more like a partnership or a private business—and it takes corporate form in order to secure strength, effective management and perpetuity.

The activities of men, both privately and by means of corporations, may be divided into two great classes—those to which they are driven by necessity—by hunger, by lack of the comforts of life, and by the desire of accumulation—and those which have their motive in the higher impulses—in affection and in the sentiments of duty, justice and charity. And so we have, on the one hand, manufacturing plants and public service corporations, and on the other, schools, libraries, churches, asylums, homes for the aged—and life insurance companies.

In order to make the picture complete, a word should be said with respect to the functions of life insurance companies, even at the risk of stating what are matters of common knowledge. Life Insurance undertakes to provide for those periods in life and those contingencies in life when the ordinary means fail—widowhood, orphanhood, old age. It does for its adherents something akin to that which a government does for its defenders—if they die, it pensions their widows and orphans; if they

live to old age it pensions them. Life Insurance raises the standard of citizenship by preventing the poverty of the worthy, and by checking the increase of the dependent classes which are a burden to the State. Its functions are so closely allied to those of the State in its protective aspects, that compulsory insurance has for twenty years been a feature of German Law, and an Old Age Pension law has recently been enacted by the British Parliament. In short, Life Insurance encourages and enables people to do for themselves and for those dependent on them what the German government does in part, and what the British government now does wholly—by taxation.

The State of New York, as early as 1840, recognized the altruistic character of Life Insurance and the special service it renders to the State, by enacting that it should be lawful for any married woman to cause to be insured, for her sole use, the life of her husband, and making such insurance payable to her, for her own use, free from the claims of the representatives of her husband, or of any of his creditors, up to and including such an amount as might be purchased by an annual premium of three hundred dollars. In case of her prior death such insurance might be made payable to her children. The amount of insurance thus allowed has since been increased by 66 2-3% (Act of 1873); and a similar rule prevails in many other States of the Union.

Having noted the class of corporations to which life insurance companies belong, and the function of such companies as related to the welfare of the State, it is now time to inquire what sort of supervision or regulation is necessary and appropriate.

The first general laws passed in most of the States

with respect to life insurance companies required them to make annual reports to some officer or department of the State government. The first demand of the State was for *publicity,* and a large part of the legislation of all the States up to a recent period, has been for more and fuller publicity—publicity in a form that would show the legal right of the companies to do business, the amount and character of the business done, and the ability of the companies to carry out their contracts. To this end reports have been required according to certain forms; standards of solvency have been established, including the valuation of policy liabilities and the valuation of securities held; and examinations by public officials have been provided for. While publicity would naturally make for safety, other and more direct measures were taken to secure safety: Investments were limited to the better class of securities; a deposit of securities with the State was required; and companies that were insolvent according to established standards were required to be wound up.

On the other hand, the State endeavored to secure fair dealing between the companies and the insured. One of the first enactments in this direction was the non-forfeiture law passed by Massachusetts in 1861. Although most of the companies allowed a surrender value in case of the discontinuance of a policy after it had been several years in force, with a single exception they did not promise it in their contracts; the law came in and fixed the amount of such surrender value and the time when, and the form in which, it should be available. All subsequent laws regulating the lapse or forfeiture of policies fall under the same head. Legislation has also been invoked to fix the conditions under which policies may be contested and what shall be a valid defence. It has taken measures to prevent deception in the character of contracts, by re-

quiring that no misleading name shall be used and that the policy shall contain all the conditions of the contract. It has declared that there shall be no discrimination between insurants of the same class or expectation of life, and that all claims and judgments must be paid within a specified time. Justice is not to be denied, nor sold, nor delayed.

If the State had continued to rely upon publicity, upon high standards of investment and of solvency, and upon the use of standard policy provisions in such special cases as seemed to require the interposition of the State—Life Insurance would have been effectively supervised. The State and the companies would have labored together in developing the humane and altruistic spirit, and the benefactions of Life Insurance would have continued to increase in a healthy ratio.

But other counsels prevailed and other methods—involving other principles—crept in. One of the first of these was *unreasonable deposit laws.* In April, 1851, the State of New York enacted that every life company doing business in the State should deposit with the Comptroller certain designated securities to the amount of $100,000, to be held in trust by him as security for policy-holders. So great was the dissatisfaction that all the other-State companies except two withdrew from New York.* The statute also provoked retaliatory legislation on the part of other States with the effect that some New York companies felt obliged to withdraw from other States. In June, 1853, the law was so modified as to permit the deposit to be made with the chief financial officer of the State in which the company was incorporated. Modifications of the retaliatory laws of other States followed.

*Barnes's Consolidated Reports, Vol. I, page 859.

But the seed of distrust had been sown, and the harvest had to be reaped. The new insurance of 1850 proved high-water mark for nine years. Yet so great was the assurance of the Comptroller of the State that the legislation was wise, that in his report of December 31, 1851, he used the following language:

"The law of last Spring was as well considered as was practicable under the pressure of other legislative duties. Its execution, thus far, has unfolded no objections that appear serious. The companies which have complied with the provisions of the law do not perceive any unexpected difficulties attending it; and if the Comptroller may be permitted in view of his short experience of its operation and his imperfect knowledge of the subject, to advance an opinion, it is that the measure is a wise and a just one, which should not, certainly at present, be departed from or essentially changed.*

Perhaps some of us may be pardoned if we hear in the statements that have lately come from Albany, an echo of this confident but shallow assumption of half a century ago. Let us hope that the return of sanity will be equally prompt and decisive!

We have recently seen the enactment of a similar law in the State of Texas, except that instead of the deposit being limited to $100,000 in high grade securities, the amount was fixed at 75% of the reserve fund of Texas policies, and the securities were required to be Texas securities. As a result twenty-one life companies withdrew from Texas in 1907. Thus history repeats itself.

In 1874 the State of California undertook to change the status of all life companies doing business in the State and make them practically California companies. The chief agent for the State must have the full powers

*Barnes's Condensed Reports, Vol. I, page 654.

of an executive officer, all policies issued upon the lives of citizens of California must be issued in the State and be subject to California laws and no other; the State Courts were to have exclusive jurisdiction in all cases of litigation; and every company must pay, on surrender of a policy, three-fourths of the reserve value thereof in cash. Twenty-nine companies withdrew from the State on the day the law took effect. It took four years in this case to cure the State of its folly; but proper principles of regulation reasserted themselves in 1878, and the companies returned to California.

Wisconsin has recently fixed the maximum premium which a life company may charge, and Missouri has placed a limit upon the amount of salary that may be paid to an executive officer.* These are of course flagrant violations of the right of contract, but they pale into insignificance in comparison with the so-called "Armstrong Laws" enacted in New York in 1906. Other States have only violated a few of the principles which should control the regulation of life companies; *New York has broken the whole decalogue.* In their zeal and fury for reform the legislators of the Empire State have abolished the right of contract, taken away the discretion of trustees with respect to the amount of surplus a company may hold and how it shall be distributed, limited the business a company may do, and fixed the compensation of a large proportion of its employees. Although much has already been said and written respecting the recent legislation in New York, I believe that neither the public nor the companies themselves have yet opened their eyes to the enormity of it with respect to the principles which it violates.

Take the *Standard Policy* forms—about the least objectionable part of this legislation. The Standard Policy

*Repealed in 1911.

is a good policy. Why shouldn't it be? The Committee gathered up and combined what they considered the best features of all the policies of all the companies—features which are the result of more than sixty years of experience, and many of which have been introduced within twenty-five years. They added absolutely nothing to life insurance practice—they were indebted to the companies for every line of the Standard Policy. But suppose the State had enacted a Standard Policy twenty-five years ago—life policies would now be written without many of the valuable features which they contain. Suppose the Interstate Commerce Commission, in its zeal to regulate railroads, should decree a standard locomotive, or a standard car! Suppose this had been done twenty-five years ago! Suppose the government were to standardize the first successful airship and taboo or forbid all others! Will wisdom die with the present generation? Is there to be no room for development? Has the life policy reached perfection as to form?

If so, by what process was that wonderful result achieved? Was it the product, to any considerable extent, of State supervision? Of any wisdom in any Insurance Department? Certainly not. Yet we have this amazing situation: First, the State assumed that the public was in such peril over the policy forms in use that it must go to a doubtful extreme in order to protect the public. Second, it wrote, in its wisdom, a correct form of policy in order to protect the public. Third, in writing a correct form, it adopted in large part the very forms it had already declared a menace to the intending insurant. All, therefore, that the State accomplished was first, a heavy and continued expense, and, second, an effective termination of the methods by which this excellence of form had been reached.

It will be said in reply that the New York law allows

other forms of policy subject to the approval of the Superintendent of Insurance, after a public hearing. All progress, therefore, and all freedom in this matter, depends upon the Superintendent. If one company asks for a change and many companies oppose it—what is his decision likely to be? Yet this was exactly the condition of affairs when non-forfeiting policies were first proposed in Massachusetts in 1859-60, with this exception—that the Commissioner favored the change and *all the companies* opposed it. In New York the subject was fully discussed by representatives of the companies in convention assembled in May, 1860, and an adverse report adopted. Three months later a New York company *issued* a non-forfeiting policy, devised by itself and put on the market without official constraint and against the judgment of other companies. What was the result? Within a year all the companies were tumbling over each other with offers of non-forfeiting policies. Practically the same thing occurred when incontestable policies were first proposed, except that it took longer to establish the custom, and again when all conditions as to residence, occupation, travel and manner of death were eliminated from life policies. The present world-wide policy, with practically no conditions but the due payment of premiums, with its wonderful adaptability to human needs and changing circumstances, is the fruit of free competition between the companies during the past sixty years. What progress would there have been under a standard policy? The present law with respect to a standard policy denies freedom of contract, which is a condition of liberty itself, and prevents competition, which is essential to justice and to economic progress.

Section 87 of the New York Insurance Law, which fixes the *contingency* reserve that life insurance com-

panies may hold, is the most amazing piece of legislation ever put on the statute books of the State. It limits the amount of this fund by a sliding scale, beginning with 20% for the smaller companies and ending with 5% for companies with over seventy-five millions of reserve liabilities, and requires annual distributions, as earned, upon each policy issued after January 1, 1907.

It is necessary to go back to first principles—the very a-b-c of business—in order to appreciate the mischievous character of this statute. What is the nature and the function of surplus in any business? It is the amount shown by the balance sheet in excess of liabilities and its function is to provide for contingencies and thus assure the safety of the business. In every other business—and in Life Insurance until 1906—a large surplus is considered a sign of conservative management. I think the statute book of New York will be searched in vain for another instance where the State has sought to limit the surplus of a corporation. In all previous legislation concerning moneyed institutions the State has sought to secure *safety. This statute limits the margin of safety.*

It not only limits the margin, but it makes this margin different in different companies. It is partial legislation —it is class legislation. It enacts such inequalities and absurdities as these—that for a one hundred thousand dollar liability a surplus of twenty per cent., or ten thousand dollars, whichever is greater, is necessary; for a million dollar liability a surplus of only fifteen per cent. is necessary; for a fifteen million dollar liability a surplus of only ten per cent. is necessary; while for a liability of seventy-five million dollars and upwards a surplus of only five per cent. is sufficient. The State has fixed the standard of a life company's liabilities under its policies; it has declared in what kinds of securities its funds shall be invested; but it does not guarantee that the death-rate

assumed will not be exceeded, nor that the interest rate assumed during the whole existence of its contracts will be earned, nor that the value of its securities will remain stable. And when the larger companies, whose beneficiaries number millions, seek to guard against adverse contingencies of every kind by a reasonable percentage of surplus, the State steps in and says:—"Divide up and pay out all but five per cent. on your liabilities even when prices of securities are highest!"

Is this a wise, or proper, or reasonable exercise of the regulating power of the State? The only attempt ever made before to limit the amount of surplus of a life company, was made in Massachusetts twenty years ago; and then a proposition to make the limit ten per cent. of liabilities was voted down. The life insurance charters granted by the State of New York prior to the enactment of the first general insurance law, and the early charters taken out under this law, sought to provide for the strength and safety of the companies, either by deferred dividends payable at the death of the insured, or by scrip dividends, the redemption of which was deferred. It remained for the Legislature of 1906 to limit the amount of what is essential to the safety of a company, to compel an annual distribution, and to prohibit the issue of policies with longer distribution periods.

Section 97 of the New York Insurance Law, *limiting expenses,* should be entitled "An Act to fix the wages or compensation of life insurance agents, examining physicians, inspectors, agency directors, cashiers, and of clerks, stenographers and office boys engaged in the business of Life Insurance, and to fix them Low". We have heard much in this country, and are hearing much now, about laws to favor men who work—laws that will raise wages

and raise the standard of living above that of other countries, but I think this is the first attempt to lower wages by law—or to fix by law a maximum wage for any large body of workers. The law not only prescribes a maximum amount that may be paid by a life company for new business, but it goes farther and prescribes how this amount may be parceled out, and when it may be paid. It has already reduced the compensation of a body of men whose work is most helpful to the State, and has driven a large number of them out of business.

You will notice that this section involves a very different principle from that involved in a law fixing a railroad rate, or the price of gas or of electricity. There the price of a commodity is fixed; here the price of labor is fixed. To make a parallel to Section 97 in the field of transportation, the State would need to fix a maximum amount to be expended in wages for ticket agents, conductors, freight agents, engineers, firemen and trainmen. To make a parallel in the field of manufactures it would be necessary to fix the maximum percentage of the value of the manufactured product to be expended for labor. Every one can see not only how unwise such laws would be from an economic point of view, but also how unwise, how unjust and how impolitic they would be. They are equally unwise, unjust and impolitic in the field of life insurance.

Should there be no limit, then, to the expenses of a life company? That would not follow as a necessary result of the repeal of Section 97. The life companies fix a maximum price for insurance. That price is determined by three factors, the assumed mortality rate, the assumed interest rate, and the loading for expenses and contingencies. The companies have a right to say, everywhere except in Wisconsin, at what price they will undertake to furnish insurance; and the State has a right to see to

it that they carry out in good faith the plans of insurance they adopt. These plans involve the setting aside of certain amounts every year to insure the ultimate fulfilment of their contracts, and this the State secures by its yearly valuation of policy liabilities and its insistence on definite policy reserves. Why shouldn't the State stop there and leave the question of expenses and of surplus to the companies themselves? The managers of every company will be interested first in the company's safety, and, second, in making large returns to policy-holders in order to secure new business.

Section 97 does indeed permit a total expense equal to the loading of its premiums together with certain estimated mortality gains and a small charge for investment expenses. But see what absurdities this involves. First, it puts a premium on inefficiency and a handicap on the efficient company. A company may sit down and do nothing, and it is allowed to spend all the loading on all its premiums; if it insures additional people, it may only spend the additional loading on the new premiums, together with the estimated mortality gains on the same. In short, new business must cost no more than old business except its estimated mortality gains. The law is very severe upon estimated results of maturing policies, but is itself guilty of making estimates upon mortality savings and allowing companies to spend them in advance.

There is another grave inconsistency in the law which should be pointed out just here. Section 88, which regulates the surrender value of lapsed or forfeited policies, allows a certain surrender charge—that is to say, a company is allowed to retain a certain part of the funds which it holds as a liability under a policy, at surrender —when of course all liability on account of it ceases. This surrender charge, therefore, adds so much to surplus. In all discussions of the subject of surrender charge it is

justified on the ground that, if a policy-holder leaves the company of his own free will he must make good to the company the loss of a healthy member. In other words, the surrender charge is supposed to be sufficient to put a new member in place of the one who withdraws, or to provide for the increased mortality which results from the withdrawal of healthy members. But, while the law provides a proper surrender charge, it does not allow a company to use it for either of the purposes for which it is retained—it may not use the surrender charge either to secure new business or to increase its surplus above the limit fixed by law—it must pay it out in dividends.

The claim is made in behalf of Section 97 that every year's business should take care of itself. The claim as made is fallacious, and is utterly opposed to the whole plan of Life Insurance on the legal reserve plan. The assumption leads straight to assessmentism. Real Life Insurance is not year by year insurance, but insurance for a term of years or for life, with premiums calculated for the whole term. The cost for mortality is not the same in any two years, but the premium is the same every year. The cost of administration is not the same every year—is always larger in the first year than in other years—but the loading for expenses is always the same. Insurance is a matter of averages first, last and all the time,—averages on lives, averages on ages, averages on years, averages on expenses—and when you break up the integrity of the system and attempt to administer it by piecemeal you only mar it and maim it.

There are also several general and entirely logical reasons why the companies—especially the mutual companies—should be freed from the shackles which Section 97 imposes. The State has prescribed in great detail the contracts they may issue. It has declared that they shall pay dividends annually—which makes it possible for

every policy-holder to know exactly what his insurance costs. It has legislated out of office all the trustees of mutual companies and held an election for new trustees under its own auspices. It has placed the companies in the hands of the insured by its own methods. It has provided for full publicity as well as for an annual accounting. Now if the companies are to be mutual in any sense whatever—if they are to be allowed to manage their own affairs within the limits of the contracts which they are required to issue—then the trustees, as the representatives of the insured, should be allowed authority to manage the business within the general limits which I have suggested. Otherwise the State becomes a meddler and an oppressor.

Section 96 of the Insurance Law limits the *new business* which New York companies may do by a sliding scale similar to that by which Section 87 limits the amount of contingency reserve which companies may hold. In its practical application it allows the smallest company to write an amount equal to 30% of its business in force, and the largest company an amount equal to 7½%. Here again I beg leave to call attention to the principles of equality and right which are violated. The companies of proved efficiency are handicapped; the laggards are favored. The Great Teacher declared as a general principle that the man who made good use of his opportunities should be given larger opportunities; but our legislators have reversed the Scripture and given the greater opportunities to those who have hitherto accomplished little. Having regulated every step of the business from the form of contract to the manner of its payment, the State goes still farther and limits the amount of business a company may do in any form and at any

cost. Beyond a certain fixed point it abolishes competition, which in other businesses is relied upon to hold the balance true between producer and consumer.

Let us recapitulate now a few of the violations of well-established principles perpetrated in the Insurance Act of 1906:

1st. The fossilization of the policy form and the removal of all practicable methods for its further improvement. The policy form of New York State is now almost a dogma;

2d. A reversal of all previous legislation which aimed to secure solvency above everything else, and an enactment which, if it remains, may work incalculable disaster;

3d. A flat denial of the right of contract;

4th. Fixing a maximum wage by law;

5th. Destruction of individual initiative through laws which explicitly limit what men may legitimately accomplish in a calendar year;

6th. Destruction of great plants which were doing a thoroughly beneficent work;

7th. Class legislation which openly aimed to handicap certain companies and help others.

What now is the real test of excellence in such a business? What is the successful company? — the company that most benefits the State? Surely not the company that merely takes out a charter, offers a good contract and insures a few hundred or a few thousand people —no matter how small may be the cost of administration. The successful life company is the company that insures many lives. This is the company that benefits society—that

benefits the State. This is what the State is interested in having done. This is the company the State should encourage—and not put obstacles in its way. From the standpoint of the State the good company is the efficient company. The State need not take cognizance of the cost of insurance any more than it needs to take cognizance of the cost of the product of any other industry—competition and the natural desire to buy in the cheapest market will ultimately take care of the question of cost.

Take a concrete case. The Equitable Life Assurance Society was organized in July, 1859, and the Home Life was organized in April, 1860. On December 31, 1906—the latest date for which details are available—the Equitable had in force upon the lives of citizens of New York 99,176 policies insuring $293,773,869, and the Home had in force upon the lives of citizens of New York 6,040 policies insuring $12,743,213. During 1906 the Equitable paid death-claims in the State amounting to $3,977,870, and the Home paid death-claims in the State amounting to $150,096. In other words the Equitable was more than twenty-three times as efficient in furnishing life insurance to the people of the State as was the Home. I take these two companies because they were organized about the same time, and they afford an example of a large company whose management has been under criticism, and of a small company whose management has received cordial approval. Without assuming to know how much may have been deserved in either case, but assuming—what is unquestionably true—that both have carried out their contracts and that faults of administration in the larger company have been corrected—I ask which of these two companies has been, is now, and is likely to be for many years to come, of greater service to the State? Remembering that it is the duty of the State to protect men in the exercise of their rights—even in the right to insure

where they please, and to pay the cost, whatever it may be—is it right, or fair for the State to hamper and limit the large company more than it does the small one? And, considering what both have done, are doing, and will continue to do for the State, is it right or just or politic to hamper and limit the activities of either?

In just one case, so far as I have been able to ascertain, has the Empire State heretofore shown fear of a large corporation. The first life insurance charter granted by the State was granted in 1830, to the New-York Life Insurance and Trust Company, which was authorized to do both a life insurance, and a trust, business. Four years later the Legislature seems to have had an attack of hysteria with respect to large corporations, for it enacted that the company's deposits should never exceed five million dollars, and that its loans should never exceed six million dollars,—except such additions as might be made by moneys deposited by order of court. This restriction was not removed until 1872. Five million dollars seemed a very large sum to the legislators of 1834—what might not a company do if it had more! But "large" and "small" are only relative terms, and the large corporation of to-day is dwarfed by the larger corporation of to-morrow. The man whose ideals are low—who limits his achievements to that which is easy of accomplishment —has already begun to deteriorate in moral fibre; and the State that limits a business beneficent in character has entered upon the same road.

Wendell Phillips in one of his matchless orations says, there is in every country a precipice along whose brink thousands of people continually walk, and the rise of a cent a pound in the price of bread pushes more or less of them over into the abyss. Along that precipice Life Insur-

ance is continually building a wall; between it and millions of families Life Insurance is continually making a widening space. Every man who is insured is a co-worker with every other insured man in keeping the future generation from the miseries of the yawning gulf of poverty which is never very far away. Every life company that secures a charter from the State to do a life insurance business is under obligation to benefit the State by the Insurance of as many lives as possible. In 1874 about three persons in each 100 of the population of New York State were insured. In 1906 about eight in each 100 were insured.* Is not the State as a whole benefited by the change? Are not the three who were originally insured better off by the addition of the five? Is there no such thing as the solidarity of the race?—no such thing as a community of interest in modern society?—no such thing as being benefited by a neighbor's prosperity? If not, then the Insurance Department of the State should change its motto, and in place of the legend—"Bear ye one another's burdens", it should inscribe over its doors and upon its archives the motto of a savage individualism—"Every man for himself!" If a large life insurance company is a thing to be repressed, then the Empire State itself should tear from its coat of arms the imperial word "Excelsior" and inscribe in its place something that shall eulogize small achievements.

It is because I do not believe in any such permanent deterioration of civic virtue or of statesmanship, that I believe in the early amendment or absolute repeal of these laws. Civilization never turns permanently backward toward lower ideals or more meagre achievements. On the other hand, it does not usually progress in a straight line. Its course is rather like that of the great Mississippi,

*If industrial policies are included nearly half of the entire population is insured.

whose devious windings take its waters over almost double the actual distance between two points, but they none the less surely reach the Gulf and the sea. Life insurance will have to contend with ignorance and prejudice, with narrowness and obstinacy, and with the fear of small minds; but it will triumph, because, more than any other great business, it stands for the integrity and the upbuilding of the family, which is the foundation of the State and the consummate flower of citizenship.

NOTE.—For changes since made in the Insurance Law, see foot notes to address on "New York State and Life Insurance Legislation."

INSURANCE SUPERVISION AND NATIONAL IDEALS

A Plea for Federal Supervision of Interstate Insurance delivered before the Students of the University of Missouri, at Columbia, Mo., February 16, 1909

WITHIN twenty-five years what may be called the "insurance principle" has come to be a notable factor in the traffic, credits, commerce and the family life of this country. Invited by trunk-line railroads, the telegraph, the telephone and the welcome of a homogeneous people, the tendency of all our activities has been to expand. Insurance has kept pace with the opportunity. It now has, through its various forms, relations with substantially every man, woman and child in the Republic, and has large international relations as well. It operates everywhere under governmental supervision. In this country alone it must obey the behests of 46 different Legislatures, each of which claims sovereign authority not only over its activities in that particular State, but, in effect, over all its activities throughout the world. A mere statement of the situation prepares the mind for the confusion

and injustice which characterize insurance supervision as it exists to-day.

It is a principle in physics that two bodies cannot occupy the same space at the same time. The Great Teacher said: "No servant can serve two masters. * * * Ye cannot serve God and Mammon." The problem which faces the management of an active insurance company to-day is, how may it profitably, effectively and peacefully serve forty-six masters. The problem is insolvable. Under the present practice of insurance supervision, there is no remedy. But there is elsewhere a remedy, and, to many people, it seems to be the only remedy, viz., Federal supervision of interstate insurance.

I by no means think that Federal supervision would bring in the millennium, but it would be a long step away from the chaotic and destructive tendencies which have developed under the existing plan. Is Federal supervision possible? As against the decisions of the Supreme Court—made not once but several times—is there any probability of such relief?*

Relief through an amendment to the Constitution of the United States would be effective, but that is practically unattainable and is probably unnecessary.

Is there not a great deal in the history of the nation, in the development of national sentiment, in the development of national ideals, since the Constitution was adopted, which foreshadows not only the probability but, under an increasing necessity, the certainty that interstate insurance will ultimately come under Federal control? I think there is. I ask you now to consider that probability.

President-elect Taft recently called attention to some of the great virtues of the Constitution, namely: it is brief, general in its terms, and obviously constructed so that the

*Paul v. Virginia, 8 Wallace, 168; Hooper v. California, 155 U. S., 646; Cravens v. New-York Life Ins. Co., 176 U. S., 962.

powers granted to the general government could be developed and determined as the nation developed. This, as a matter of fact, is what has happened.

It is perfectly clear to one who studies the history of the nation under the Constitution, that but for the wisdom of the great men who interpreted that immortal instrument during the early years of its operation, national development might have taken on a form that would have defeated the purposes of the men who planned it. It is probable that we as a people owe almost as much to Marshall, the great Chief Justice, who gave the Constitution its national meaning, as to the men who drafted it. The doctrine which Marshall laid down, which was later on reaffirmed, which has now come to be perhaps as fixed in its meaning as the Constitution itself, is substantially this:

> "The action of the general government should be applied to all the external concerns of the nation, and to those internal concerns which affect the States generally; while to the States is reserved the control of those matters which are completely within a particular State, which do not affect other States, and with which it is not necessary to interfere for the purpose of executing some of the general powers of the government."*

Many of the problems which have arisen since the adoption of the Constitution involve the question of whether it is necessary for the general government to "interfere" for the purpose of executing some of its general powers. Is it necessary now, is it likely to become increasingly necessary that the government should interfere in insurance for the purpose of executing some of its general powers?

I speak, of course, as a layman. I shall not attempt to make what may be called a legal argument. I speak as one having close relations to an interest which involves people in every State in the Union, and in nearly every country of

*Gibbons v. Ogden, 9 Wheaton, 1.

the civilized world. I speak as a practical man, dealing with one of those situations which make the lawyers now and then understand, and make even the Courts understand, that laws and courts and constitutions, exist for the people, that the people do not exist for the benefit of institutions.

In order to consider what the probabilities of Federal supervision are, it will be profitable to review briefly some of the things that have happened in the course of our national development.

You understand, of course, that the radical difference between government as it existed under the old Confederation and government as it has grown up under our Constitution is this: The Confederation was strictly a union between independent States acting as States; our present government is a union between States in which the central government acts directly upon the individual citizen, and not upon the States composing the government. This is supposed to be our great contribution to the science of government. There is a sharp difference of opinion as to who discovered it. Some credit its discovery to Benjamin Franklin and some to Pelatiah Webster; but Mr. John Fiske has pointed out that the principle was embodied in the ancient federation of Greek cities known as the Achaean League, and is present in the modern federation of the cantons which constitute the republic of Switzerland. He further declares that the principle was never fairly demonstrated and never could be until it was applied to a large and populous country through a considerable period of time. We have supplied these conditions and this is properly speaking our contribution to the science of government. And beyond question in its continued success lies the best hope for the future peace of the world.

The difference between the two kinds of government does not at first blush seem to be great, but, as a matter of fact, the two types are almost as far apart as the poles.

The departure involved in the new type was much clearer to our forefathers than it is to us. Under the Confederation they had won independence. They recognized the pressing need of a different and a stronger plan, but about the old plan clustered traditions and the memory of struggles which went back almost to Jamestown and to Plymouth. In order to create the beginnings of a nation, they had to exercise a forbearance, a charity and a wisdom, which are a constant source of wonder to the student of that period. Once get yourself into the atmosphere of those times, get even an approximate idea of their passion for local self-government—the idea of sovereignty which had seized on the people of each of the original thirteen States—understand the variety and even the hostility of their interests, and then consider the instrument which that devoted body of men wrought out in Philadelphia in 1787, and the marvelous work it has since done in nation building, and you will understand why Thomas Jefferson pronounced it the work of demi-gods; and you will have a higher appreciation too of the truth of what Gladstone said later, namely, that it is "the most wonderful piece of work ever struck off at a given time by the brain and purpose of man". It was a series of compromises—compromises between the larger and the smaller States, compromises with slavery, compromises all through—but the great principle then adopted, which has more and more asserted itself, which has developed the instinct of nationality, which preserved the nation through a fearful war, which has developed it territorially from the Atlantic to the Pacific and across the Pacific, is, that the general government acts for the general welfare, that it acts directly on the individual and acts in whatever way it is necessary for it to act for the purpose of executing its general powers.

However keen the vision of Washington and Franklin and Madison and Hamilton—the men who dominated the

Constitutional Convention—however much they may have seen that the future of free government and the development of human liberty were wrapped up in their plan, the people of that time were impelled by no such motives. They were passionately devoted to their local sovereignty. To them the creation of a new style of government was largely a question of commercial peace between the States and with foreign countries. The situation substantially compelled them to recognize the necessity of a central government strong enough to keep the peace and regulate commercial intercourse. The Revolution itself had been largely brought about by commercial considerations. The British Government sought to keep the Colonies in subjection for purposes of favorable trade, and against this the Colonies rebelled. After independence had been won a situation bordering on anarchy quickly developed. Foreign countries were unwilling to enter into treaties with the United States under the articles of Confederation. The Confederation had no control over commerce, and commercial war* in a variety of

*Only British built ships, owned and navigated by British subjects, were allowed to trade between New England and the British West Indies. American ships trading directly with Great Britain were allowed to carry only articles produced in the particular States of which their owners were citizens. Massachusetts, New Hampshire and Rhode Island prohibited British ships from carrying goods out of their harbors and imposed a heavy duty on all goods brought in by such ships. New York imposed a double duty on goods imported in British ships. Pennsylvania levied duties for the benefit of local manufacturers. Congress was unable to persuade the States to carry out the recommendations it had agreed to in the treaty of peace with England respecting the treatment of loyalists and the payment of private debts owing to British subjects. In retaliation and to the great humiliation of the new nation, British garrisons were not withdrawn from Ogdensburg, Oswego, Niagara, Detroit and Mackinaw until eight years after the adoption of the Constitution. The Confederation had no power to lay and collect taxes or duties, and it was unable to pay the ragged Continentals who had won our independence. The nation was too poor to bribe the Barbary pirates and too weak to chastise them, and American ships were plundered in the Mediterranean and American sailors—citizens who had established our independence—were sold as slaves in the markets of Tripoli and Algiers.

Under the union between the States as such, with no power in

forms soon developed. This condition growing out of the feebleness of the Federal Government resulted in a deep and general conviction that commerce ought to be regulated by Congress, and found expression in the commerce clause of the Constitution. As to the breadth of the powers contained in this clause, Chief Justice Marshall said:

> "It is not, therefore, a matter of surprise that the grant should be as extensive as the mischief, and should comprehend all foreign commerce and all commerce among the States."

The departures of the new instrument from the old were so radical that many of the States hesitated, and yet, as we can see now and as they came to see, there was nothing else for them to do. It was this or anarchy. But even after the States had all ratified the Constitution, and the new nation had been launched upon its career, the people found it difficult to take their own medicine.

But steadily the national ideal gained ground. Slowly

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the central government to act directly on the individual citizen, control over what was common to all the States naturally failed, and it was followed by commercial war between the States themselves. Connecticut opened her ports to British ships and levied duties on imports from Massachusetts. Pennsylvania discriminated against Delaware and New Jersey. New York required vessels from Connecticut and New Jersey to pay entrance fees and obtain clearances at the custom house the same as foreign ships. Crippled in her foreign trade and oppressed with debt, Massachusetts laid a heavy tax on land, and presently what is known as Shay's Rebellion broke out.

The same chaos existed in monetary affairs. There was no national coinage law until 1785, and no money was coined until 1793. The gold and silver coins in use were English, Spanish, French and German. Notwithstanding the disastrous experience of the country with the irredeemable paper issued by authority of Congress during the Revolution, seven of the States resorted to the same expedient and some of them attempted to enforce its use as legal tender. This resulted in litigation and a general paralysis of local trade. The efforts of Rhode Island to enforce the use of paper money as legal tender gave her the nickname of "Rogues' Island".

That commercial necessities initiated the movement which resulted in calling the convention which framed the Constitution is a fact not generally known. In 1785, Washington became president of a

the general government extended its operations from the external concerns of the nation and from those internal concerns which affect the States generally, to those with which it was necessary for it to interfere, and with which it had the right to interfere through its direct operation on the citizen, for the purpose of executing its general powers. Every inch of the ground, however, has been fought over. And that contest, involving always more or less clearly the development of national powers as against the powers of the States, has been a leading issue between political parties—whenever there has been a clear issue—from that day to this.

Naturally the Federalists who had been most active in advocating the adoption of the Constitution favored a liberal construction of it. They wanted it to become effective. Their opponents—then called Republicans—favored a strict interpretation of it. The Federalists, forced by the situation to take the initiative, obliged to do whatever was necessary through taxation and otherwise to carry on the new govern-

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company for extending the navigation of the Potomac and James Rivers. This could not be done unless Virginia and Maryland acted together. Washington's plans involved a connection between the head waters of the Potomac and the Ohio, and therefore Pennsylvania was invited to become a party to the enterprise. The papers as finally sent to the Legislatures of Maryland and Virginia contained a suggestion made by Washington himself, that these two States should agree upon a uniform system of duties and other commercial regulations and upon a uniform currency. Both States ratified such a compact, and Maryland then proposed that Delaware also be consulted, and that the plan include a canal between the Delaware River and Chesapeake Bay. Maryland finally suggested that all the States be invited to send commissioners to the conference. Nine States complied, and delegates from five States met at Annapolis in September, 1786. New Jersey instructed her delegates "to consider how far a uniform system in their commercial relations and **other important matters** might be necessary to the common interest and permanent harmony of the several States". The conference noted the phrase "other important matters" and considered it an improvement on the original plan. In this appears a recognition of the necessity of some action dealing with the general commercial chaos which then ruled. The Annapolis conference resulted in no definite action except the adoption of an address written by Alexander Hamilton, urging that

ment, did not long endure. Then came Thomas Jefferson, nominally the founder of the party of strict construction. The burden of the new government, with its then more or less undefined relations to the States, with its powers undeveloped, fell on men who were supposed to be least in sympathy with the national idea. An emergency which put them to the test quickly arose. In the struggle for the possession of the Mississippi, Jefferson proposed and Congress authorized the purchase of the Island of Orleans and what was called West Florida. In the end they bought the whole ancient province of Louisiana, a tract of land richer and larger in area than the original thirteen States. Although Jefferson had advocated the smaller purchase, and there was no difference in principle between what was originally proposed and what was finally done, yet he believed that in signing the treaty of purchase he had "done an act beyond the Constitution". He could find in the Constitution no authority for such a proceeding. His friends

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commissioners be appointed by all the States to meet in Philadelphia in May 1787, "to devise such further provisions as shall appear to them necessary to render the Constitution of the Federal Government adequate to the exigencies of the Union, and to report to Congress such an act as, when agreed to by them, and confirmed by the Legislatures of every State, would effectually provide for the same." This address, born of a commercial question, resulted directly in the Constitutional Convention. At first the Continental Congress refused to notice the Annapolis conference and the address which resulted from it. They said the Conference was an irregular body without authority. But the States, wiser than the Congress, led by Virginia, began to appoint delegates, and when New York refused her assent to a plan of Congress for levying and collecting duties on imports, thereby further emphasizing the impotency of Congress itself, a reluctant consent was given, and, as a salve to the pride of its members, Congress itself issued a call for a convention identical with that of the Annapolis conference. This convention in the summer of 1787, working behind closed doors, finally produced an instrument which did not satisfy anyone at the time, to which some of the States gave tardy and reluctant assent. As Webster afterward declared—the Union "had its origin in the necessities of disordered finance, prostrate commerce and ruined credit."

believed that in the treaty-making power he had sufficient authority, and Chief Justice Marshall in 1828 confirmed that view in an important decision, when he said:

> "The Constitution confers absolutely on the government of the Union the powers of making war and making treaties; consequently that government possesses the power of acquiring territory either by conquest or treaty."

Such are the curious ways of politicians that the Federalists who before the purchase had urged the most extreme measures to secure navigation of the Mississippi, now vehemently questioned both the constitutionality and the wisdom of an act which not only secured the Mississippi but an Empire besides.

The people, however, with an instinct which foreshadowed the decision of Marshall, approved the act; they recognized that it was clearly in the line of national aspirations, that it tended to insure the peace and the safety of the Republic. This was perhaps the first great instance in which, by interpretation and by acquiescence on the part of the people, a way was found.

Following the path upon which Jefferson first entered, we purchased Florida, we discovered, explored and settled the Oregon country, we annexed Texas on the petition of its people. We acquired California, Nevada, Arizona, New Mexico, and portions of Colorado and Oklahoma. We purchased Alaska. We annexed Hawaii on the petition of its *de facto* government. We took the Philippines, Porto Rico and Guam. In five of these eight cases, additions to our territorial domain were made and the highest function of sovereignty was exercised, when the Federal government was under the control of the party popularly known as the party of strict construction.

Twelve amendments were made to the Constitution during the first fifteen years of its existence. During the next

sixty-two years none were made. In this era the Constitution was being interpreted. The Executive and the Courts were slowly finding out the powers granted either specifically or by implication, and they found all that was necessary to carry on the national government. The growth of Federal power during that time was very great, and in that period the citizens of the States transferred to their national citizenship a large part of the love and reverence which they had formerly bestowed upon their State citizenship. The conviction constantly increased that under the Union and the Constitution, there was, upon the whole, better freedom and greater happiness than could possibly be secured in any other way. The purchase of Louisiana and the second war with Great Britain led the administration irresistibly along the path of a liberal interpretation of the Constitution. They may not have altogether liked it. There was nothing else for them to do. The embargo which they had denounced in 1793, they employed in 1807. The United States Bank, which they had denounced in 1791 and refused to recharter in 1811, was rechartered by an almost unanimous vote in 1816. They followed so closely the lines laid down by the Federalists that Josiah Quincy declared the Republicans had out-Federalized Federalism. But the triumphs of both parties were the triumphs of national ideals. This is probably much clearer to us than it was to them. The father of strict construction took the first step in the policy of expansion which has secured us our pre-eminence on the North American continent, and the last of his great contemporaries, by an equally wise and daring exercise of executive power, put an end to foreign aggressions upon this continent. The Monroe doctrine has no other standing in the Constitution than this: that the Constitution made the United States a sovereign nation with certain ideals which are to be pursued, and with which further foreign aggressions in this hemisphere would interfere. It is curious that

this doctrine also found its strongest supporters amongst the strict constructionists, and in our own day a President who would not annex Hawaii upon the petition of its *de facto* government put more stiffening into the backbone of the Monroe Doctrine than it had received since Secretary Seward politely requested Napoleon III to get out of Mexico.

With the expansion of the national domain to the Pacific came the necessity of easier access to that Coast and of a naval station in Caribbean waters. The story of negotiations forwarding these purposes is a long one, and includes many failures, but the idea has never been abandoned, and now the United States owns Porto Rico and is making the "dirt fly" in digging a canal connecting the Atlantic and the Pacific, a great waterway which, when completed, will be entirely under the control of the United States.

The supreme event in the development of national ideals came to an issue in 1860. African slavery existed in every State of the Union but one when the Constitution was adopted, and its status under the new government was one of the compromises of the Constitution. The words slave and slavery were carefully avoided in wording that instrument, and it was then the general opinion that the institution would gradually die out. The ordinance of 1787, one of the last enactments of the old Confederation, assented to by all the States, had consecrated the Northwest territory to freedom, but the Louisiana Purchase contained no such provision and over the settlement and government of that vast region was ultimately waged a conflict which tested the vitality and established the power of the nation. During the years which preceded this conflict, the anti-slavery party pursued its ideal of limiting slavery within a certain area, while the pro-slavery party persistently followed its purpose of protecting slavery in the unorganized territory of the country and in the erection of new slave States

whenever the people so desired. Both parties claimed the sanction of the Constitution.

We sometimes lose sight of the great issue of that fearful struggle. We have just celebrated the centenary of the birth of Abraham Lincoln, whose election to the Presidency precipitated the conflict. We have heard much of Lincoln, the "Emancipator", and we have been told that the Civil War was fought in order to abolish slavery. Lincoln knew better than this. He realized that the great thing to be done was to preserve the Union and the principles of government and of nationality which it embodied. You remember, in his first inaugural address, he said to those whom he called his "dissatisfied fellow-countrymen":

> "You can have no oath registered in Heaven to destroy the government, while I shall have the most solemn one to 'preserve, protect and defend' it. The mystic chords of memory, stretching from every battle-field and patriot grave to every living heart and hearthstone all over this broad land, will yet swell the chorus of the Union, when again touched, as surely they will be, by the better angels of our nature."

He stated the issue as between the Union and slavery in 1862, when Horace Greeley published in the *Tribune* an open letter urging a more decided policy on the part of the government with respect to slavery. Lincoln replied, in that immortal declaration with which you are all familiar:

> "If there be those who would not save the Union unless they could at the same time save slavery, I do not agree with them. If there be those who would not save the Union unless they could at the same time destroy slavery, I do not agree with them. My paramount object is to save the Union, and not either to save or destroy slavery. If I could save the Union, without freeing any slave, I would do it; if I could save it by freeing all the slaves, I would do it; and if I could do it by freeing some, and leaving others alone, I would also do that. What I do about slavery and the

> colored race, I do because I believe it helps to save this Union. And what I forbear, I forbear because I do not believe it would help to save the Union. I shall do less whenever I shall believe that what I am doing hurts the cause, and I shall do more whenever I believe doing more will help the cause."

Lincoln's supreme purpose and the issue of the war was the preservation of the Union. When he thought that such action would help to save the Union, he issued the Emancipation Proclamation. But it was a war measure, distinctly unauthorized by the Constitution up to the time of the adoption of the Thirteenth Amendment.

Another long struggle which resulted in a great advance in national ideals was in the field of finance. When the Constitution was adopted the nation as such had no revenue, no credit. But Alexander Hamilton, the first and greatest Secretary of the Treasury, putting into effect the powers granted by the Constitution, soon wrought what seemed a miraculous change. As Webster said: "He smote the rock of the national resources, and abundant streams of revenue gushed forth. He touched the corpse of public credit, and it sprung upon its feet." One of the means employed was a United States Bank, chartered by Congress. The strict constructionists contended that the government had no authority to charter a bank. Its right to do so was upheld by the Supreme Court on the ground that it was a suitable agency in borrowing money which the government had an undoubted right to do. The contest was a long and bitter one and the strict constructionists refused to recharter the bank in 1811, but were glad to do so in 1816 when the currency had been demoralized by the second war with Great Britain. Prosperity brought some abuses and all the old rancor, and the bank was discontinued in 1836, and a new era of wild-cat money followed in certain sections which lasted until the Civil War. Again the banks suspended

specie payments and the Federal Government issued legal tender notes, established the national banking system and finally taxed State bank issues 10%. The first and last of these acts were opposed as unconstitutional, but they were upheld by the Supreme Court.* Thus what is peculiarily a prerogative of sovereignty was transferred from the States to the national government through a process of interpretation, in response to national needs and through interference which was necessary in order to carry out the general powers of the government.

Let us consider a little more closely the logic by which this great transformation was accomplished. We may find some comfort therein. Fifty years ago, if anyone had said that within ten years we should have only national currency and none issued by State banks, he would have been laughed at. Where would Congress find authority to take this prerogative away from the States? Let us follow the Supreme Court's logic.

The Constitution gives Congress power "to borrow money on the credit of the United States and to coin money, regulate the value thereof, and of foreign coin". The Constitution as a whole makes the United States a sovereign nation. Now notice the links in the chain of reasoning. Congress has power to borrow money; therefore it may charter a bank as an aid in borrowing money. A bank so chartered may be taxed by the States only in such a manner as Congress permits. Congress may borrow money, and the United States is a sovereign nation; therefore it may emit bills of credit and make them legal tender. Congress has power to borrow money; therefore it may enact a national banking law authorizing banks thereunder to issue circulating notes based on the security of United States

*McCulloch v. Maryland, 4 Wheaton, 316; Legal Tender Cases, 12 Wallace, 457; 110 U. S., 447; National Bank v. United States, 101 U. S., 1.

bonds deposited with the government. Congress may borrow money; having under this power undertaken to supply the country with a stable currency, *it may prevent the circulation as money of any notes not issued under its authority by taxing all other issues out of existence.*

This was going a long way; it was clearly one of the occasions when Congress found it necessary to "interfere", for the purpose of executing its general powers.

A striking example of the exercise of sovereignty which is not contemplated in the Constitution is seen in the control and disposition of what is known as the public domain. To Maryland belongs the credit of taking a step which was of far-reaching importance in arousing a national sentiment. When the Articles of Confederation were proposed, Maryland refused to adopt them unless certain other States would cede their unorganized Western lands to the United States. This was done, and these lands became the first strong bond of union. Settlers on these lands and those afterward acquired took title from the general government, and there are few pages in our history which, upon the whole, record sounder and more constructive statesmanship than those which relate to this subject. Under whatever law the settler took his title, the fact was that the general government was using, and wisely using, the national domain to develop a national ideal. It all followed logically from the act of Maryland, from the Louisiana Purchase, and from the construction put upon the Constitution by Chief Justice Marshall.

But these public lands have also been used to foster education. It is estimated that over one hundred million acres of the public domain have been given to the different States for educational purposes. Where in the Constitution is specific authority given to Congress to give away public lands to men who settle on them and improve them, or to

States for educational purposes? The word education does not occur in the Constitution. Congress has power to make all needful rules and regulations respecting the territory or other property belonging to the United States, and from these few words has been deduced the authority to govern territory belonging to the United States as well as absolute control of her lands whether within State or territorial limits. Clearly these provisions for education were made with slight reference to explicit constitutional authority. The action was taken because, under our form of government, homes and education are amongst the most cherished national ideals; because it seemed necessary that the government interfere, in the execution of its general duties and powers.

The States ceded to Congress under the new Constitution the power to regulate commerce with foreign nations and among the several States and with the Indian tribes, but here again they found it difficult to take their own medicine. It was not easy to give up this prerogative of sovereignty. Almost immediately the question arose, What is commerce? It was soon decided that commerce was something more than traffic or trade,—it included transportation, transportation of passengers as well as of goods. When steam came into use as a motive power, that became an issue; but it was decided that commerce included all the means as well as the subjects of transportation. When the electric telegraph came into use, it was decided that this was a medium of commercial intercourse. When the telephone came into use, the same reasoning made its use between States interstate commerce. At first Congress was considered as having jurisdiction only over waters affected by the tide, but this authority was soon extended to all navigable waters upon which interstate commerce is carried on, and to bridges over navigable waters separating two States. At the present

time the authority of Congress extends to the places, the means and the subjects of trade and commerce.*

Since the passage of the Interstate Commerce Act of 1887, there has been a remarkable increase in the activity of the Federal Government with respect to control over interstate commerce. President Eliot of Harvard University not long ago stated that our entire domain between the Atlantic and the Pacific, between Mexico and Canada, was really not as large as New England was sixty years ago, and, as a problem in commerce and transportation, nothing like as large as the original thirteen States. We have moved on into what is almost a new world. We are facing new problems. We are facing the further development of national ideals. We cling as tenaciously as our forefathers did to what we call the right of local self-government. What we are now and then asked to give up seems to us much more vital than what they were asked to surrender in the general interest. We can see how necessary it was for them to do it. It is not so easy for us to understand the force and direction of the conditions which we face. We have the most extended system of railroad transportation in the world. The use of the telegraph and the telephone has extended throughout the nation. Many important types of business are organized on continental lines. The question, then, is: When we insist on what we call local self-government as against the obvious significance of such facts as these, are we not as shortsighted as our forefathers would have been if they had carried their opposition to the Constitution further than they did? The fact is, we are still entirely devoted to local self-government. But what is local self-government? When a business nat-

*Gibbons v. Ogden, 9 Wheaton, 1; Gloucester Ferry Co. v. Pennsylvania, 114 U. S., 196; Moran v. City of New Orleans, 112 U. S., 69; Passenger Cases, 7 Howard, 283; Walling v. Michigan, 116 U. S., 446; Tel. Co. v. Texas, U. S., 460; Pa. Tel. Co., 48 N. J., Eq. 91, 20, Atl. 846, 27 Am. St. Rep., 462.

urally extends over all the States of the United States, is it local self-government to attempt to regulate it in forty-six different places by forty-six separate sovereign authorities? Under these conditions isn't the local idea plainly encroaching on the national prerogative?

On all these large questions the government has not acted until it was obliged to. There has been no aggression as against the States. Looking back at these contests—in which the issue was frequently doubtful—we see that no other solution was possible, that there was nothing else for the government to do, nothing else for the Supreme Court to do. When Livingston and Monroe purchased Louisiana, there was nothing for Jefferson and Congress to do but just what they did. When the question of a national currency became critical, there was nothing for Congress to do but what it did, or something similar, and there was nothing for the Supreme Court to do but to sustain it. When the question of railroads arose, it was already a large question before it became a Federal question; it involved interests so extensive that the country generally appreciated its importance and understood that half-way measures would not do.

Unfortunately for us, the Supreme Court declared insurance to be neither commerce nor an instrumentality of commerce in the case of Paul *vs.* Virginia (1868), long before many people had any adequate notion of what insurance was to do and to be. It is useless now to conjecture what the makers of the Constitution would have done if insurance had at that time been the large subject it is to-day. It is useless to conjecture, too, what the Supreme Court might have done in the case of Paul *vs.* Virginia, if Congress had previously legislated upon the assumption that interstate insurance was interstate commerce.

The chaotic condition which existed in the commerce between the States was, as we have seen, one of the things

that drove the States toward a "more perfect union". That condition, in a more or less aggravated form, has existed in insurance for eighty years. In 1829, Pennsylvania levied a tax of 20% on the premiums of other-state companies. This was done under the familiar plea of protecting the business of domestic corporations. There was a similar tax of 10% in New York from 1828 to 1837. In 1851, New York, by means of a deposit law drove all other-state companies but two beyond its borders, and when the other States retaliated, the New York State companies withdrew from them. In 1874, California by radical legislation drove twenty-nine companies out of her jurisdiction. Recently nearly all the life companies withdrew from Texas and Wisconsin because of oppressive legislation, and eight withdrew from New York State for the same reason. A Missouri law allows no company to do business within her borders which pays salaries above a certain limit.* Many of the States refuse admission to companies of other States unless they in advance agree to surrender the protection of the Federal Courts, and to that extent their rights under the Constitution of the United States. Most of the States have on their statute books, in their insurance laws, that relic of barbarism, the *lex talionis,* the law which exacts an eye for an eye, a tooth for a tooth. The condition is becoming progressively worse. It is akin to those which existed one hundred and twenty years ago with respect to commerce. It is not unlike those which then existed regarding foreign intercourse, public credit, currency, and that comity between States which makes for union and peace. The problems of commerce, of expansion of public credit, of currency were solved by the action of the general government either through its specific or its implied powers. There is apparently no other method by which the problem of insurance supervision can be solved.

*This law was repealed by Legislature of Missouri, in 1911.

The Supreme Court has said that insurance is not commerce. It has further said that a State may exact from a foreign corporation seeking admission to its borders, compliance with any condition it sees fit to impose.* These two pronouncements face insurance on the one side, and the chaos resulting from trying to obey forty-six different masters at the same time confronts it on the other.

Toward these decisions of the Supreme Court we maintain the attitude that Lincoln assumed toward the Dred Scott decision. He said:

> "It is not resistance, it is not factious, it is not even disrespectful, to treat it as not having yet quitè established a settled doctrine for the country. * * * The Court that made it has often overruled its own decisions, and we shall do what we can to have it overrule this. We offer no resistance to it."

While the Supreme Court has several times flatly said that insurance is not commerce, I think it by no means impossible that later on it may take a different view. I am not sure that it has not already done so. The relations of things have changed. And wise courts interpret constitutions in the light of changed conditions and in the interest of all the people.

Insurance is business. It includes the purchase and sale of contract rights which have become an almost indispensable factor in business, in credit and in traffic. It is a business that from its very nature is most secure when widely distributed, and it naturally and inevitably has become an interstate business. It is a business which from its character requires a reasonable measure of governmental supervision, and at the present time it is more extensively supervised by governments than any other class of business. There is, perhaps, no business in which efficiency and econo-

*Nutting v. Massachusetts, 183 U. S., 553, 556, 46 L. Ed. 324, 325, 22 Sup. Ct. Rep., 238, 239.

my are so much promoted by uniformity of legal requirements everywhere; no business that is more easily embarrassed, harassed, and rendered inefficient and unprofitable by conflicting laws and conditions.

But the Supreme Court has said that it is not commerce. The transportation of goods and passengers is commerce, and all the means used as instrumentalities thereof are commerce. The sale of goods by sample by drummers is commerce, but the sale of life insurance policies by agents is not commerce. A telegraphic message relating to a life insurance policy—or any other kind of business—is commerce, but the policy itself, sent by mail or otherwise, is not commerce. If a company talks to an insurant in a neighboring State over the telephone, the talk is commerce, but the subject of the talk is not.

I have now briefly reviewed some of the instances in the history of the country which have resulted in the development of national ideals and the expansion of national power. My purpose has been to show that Congress, under the Constitution and under the wise rulings of the Supreme Court, has always had power sufficient to meet any emergency, and that such emergencies have always been met in the interest of the whole people. I might rest here and have, I think, a very good case. Having pointed out the inevitable chaos and confusion which have followed the attempt entirely to supervise the business of insurance by forty-six different authorities, having shown the hopelessness of any attempt to secure efficient administration through harmony of action amongst the States, it is a fair deduction to say that a business involving such large interests, capable of such great usefulness, a business so necessarily interstate in its nature, is entitled somehow, some way, to just supervision and wise control. And as that cannot be

had under the present system, relief from the General Government must in time come by force of circumstances and through the logic which has so nobly served the people from the time of John Marshall to the present day.

The force of such conditions has already asserted itself, and unless I misread the mind of the Supreme Court in a leading case, relief from an illogical and reactionary condition is already in sight.

In 1902, the Supreme Court of the United States, in its interpretation of the powers of Congress under the commerce clause of the Constitution, went farther than ever it had gone before. The case before the Court was that of Champion *vs.* Ames, and will be familiar to you as the "Lottery Case".* By this decision the validity of an act of Congress for the suppression of lottery traffic through international and interstate commerce and the postal service was sustained. As I read the entire case, the previous declarations of the Court that insurance is not commerce are therein substantially overruled; and, under the doctrine laid down, it seems reasonably clear that if Congress should now pass an act providing for Federal supervision and regulation of interstate insurance, the Supreme Court would be bound to sustain it.

Counsel for the lottery company urged that a contract of lottery was substantially the same as a contract of insurance, and that the principle in the two could not be distinguished. The minority of the Court, for whom Chief Justice Fuller delivered the dissenting opinion, urged the same doctrine, and pointed out that the Court had already decided that insurance contracts are not articles of commerce; that they are not subjects of trade and barter offered in the market as something having an existence and value independent of the parties to them; that they are not com-

*Champion v. Ames, 188 U. S., 492.

modities to be shipped from one State to another and then put up for sale. The logic of which was that the sale of lottery tickets being indistinguishable in principle from the sale of insurance policies must necessarily fall outside the commerce clause and outside the power of Congress to regulate. In effect, therefore, the relation of insurance to the commerce clause of the Constitution was before the Court and was fully discussed. Not only was it discussed in the briefs of the appellant, but it was apparently a part of the oral argument; and the case of Paul *vs.* Virginia was the leading case upon which the minority of the Court based their dissent.

In delivering the majority opinion of the Court in the lottery case, Mr. Justice Harlan, singularly enough, made no reference to the insurance cases. Insurance, as such, was not before the Court, and there was, therefore, no controlling reason why the Court, if it believed that the doctrine laid down in Paul *vs.* Virginia was an error, should so state. If, however, a majority of the Court believed that the sale of lottery tickets could be distinguished in principle from the sale of insurance policies, it is fair to assume that they would have said so. This would have been the natural thing to do. The argument of the lottery people was: Lottery is like insurance, therefore, it is not commerce. The Court decided without refuting the argument on that point, that the interstate sale and carriage of lottery tickets is commerce. In reaching this decision, the Court sought first for a definition of the word "commerce" as used in the Constitution, and, amongst other things, said:

> "Undoubtedly the carrying from one State to another by independent carriers of things or commodities that are ordinarily subjects of traffic and which have in themselves a recognized value in money constitutes interstate commerce. But does not commerce among the several States include something more? Does not the carrying from one State to

> another by independent carriers of lottery tickets that entitle the holder to the payment of a certain amount of money therein specified also constitute commerce amongst the States?"

After various citations, seeking rather to arrive at a definition of what commerce is, the Court said:

> "They (the cases cited) show that commerce among the States embraces navigation, intercourse, communication, traffic, the transit of persons and the transmission of messages by telegraph." (He would now add transmission of messages by telephone.) "They also show that the power to regulate commerce among the several States is vested in Congress as absolutely as it would be in a single government having in its Constitution the same restrictions of the exercise of the power as are found in the Constitution of the United States."

Then without specific reference to that case, the Court met the doctrine laid down in Paul *vs.* Virginia in this language:

> "It was said in argument that lottery tickets are not of any real or substantial value in themselves, and therefore are not subjects of commerce. If that were conceded to be the only legal test as to what are to be deemed subjects of commerce that may be regulated by Congress, we cannot accept as accurate the broad statement that such tickets are of no value."

This language is very significant. In logical effect it overrules the doctrine laid down in Paul *vs.* Virginia. It intimates that an interstate transaction may be commerce even if the article transported has no value in itself. But, finding some actual value in a lottery ticket, the Court brushed all other considerations aside and said: "Lottery tickets are subjects of traffic, and therefore subjects of commerce."

Every element of value which the Court found in lottery

tickets exists also in insurance policies. The Court found that lottery tickets had value because of a large capital prize to be paid to the holder of the winning ticket, because of large deposits of money in different banks in the United States insuring the prompt payment of prizes. Lottery tickets were subjects of traffic because they could be sold, and they had a value even in States which made the drawing of lotteries illegal. The parallel between such conditions and those which attach to insurance is almost perfect.

Whether the Court recognized at the time that the doctrine in Champion *vs.* Ames overrules the doctrine in Paul *vs.* Virginia, must be a matter of opinion until a direct test is made under similar conditions; but it is evident from the text of the two opinions then rendered that there was a vigorous interchange of ideas between the various members of the Court before the opinions were arrived at.

"Could Congress", asked the Chief Justice, "compel a State to admit lottery matter within it contrary to its own laws?" And the answer of the majority opinion clearly would be, "Yes, Congress could". It would simply be unwise legislation, and by way of rebuttal the majority opinion adds:

> "The possible abuse of the power is not an argument against its existence. There is probably no governmental power that may not be exerted to the injury of the public. The remedy is that suggested by Chief Justice Marshall when he said: 'The wisdom and the discretion of Congress, their anxiety for the people and the influence which their constituents possess at elections, are in this, as in many other instances, the sole restraints on which they have to rely to secure them from abuse.'"

Apparently anticipating that some one might misconstrue the effect of the lottery decision, the Court said:

> "We decide nothing more in the present case than that lottery tickets are subjects of traffic among those who choose

> to sell or buy them; the carriage of such tickets by independent carriers from one State to another is, therefore, interstate commerce."

Insurance, with a hesitancy which is not readily understood, has never made any serious attempt to secure action by Congress. The insurance cases went before the Court supported by no declaration from Congress that the business is commerce,—a situation which itself invited an adverse conclusion. Whenever the question has been raised since then, immediately Paul *vs.* Virginia and the other cases in which opinion has followed the doctrine of that case have been cited, and the matter has been dropped as hopeless. But the lottery case has vastly changed the whole situation. These insurance cases may now be treated as Lincoln treated the Dred Scott decision. They "have not quite established a settled doctrine for the country". The lottery case affords abundant warrant for a request that Congress now act. A law should be drawn on the theory that interstate insurance is commerce, and that the power of Congress to regulate insurance in its interstate relations is absolute. Presented with such an act, the Supreme Court, with the deference which it has always observed toward Congress, would we believe be disposed to accept the declaration by Congress that interstate insurance is commerce and is subject to control by Congress. If a case were to arise under such an act, it is difficult to see how the Court could render any different decision from that in the lottery case. In the lottery case the Court was properly seeking to put an end to a great public evil, to abate a great public scandal. It was obvious that the evil would not and could not be ended by the States, and therefore the power to deal with the situation which must lie somewhere, was recognized as being in Congress under the commerce clause.

Insurance would present a case in which the law and the Court would be invoked, not to abate or destroy an evil, but

to conserve and protect a great public utility. It probably would not go before the Court with the pressure of a widespread public demand behind it. It would go before the Court stating, first, that it is commerce; second, that it is in distress and confusion and needs the relief which a single authority alone can give; third, that it is irrationally supervised; fourth, that it is harassed by a multitude of exactions and requirements; fifth, that it is unequally and unjustly taxed; sixth, that its operations are, in practice, almost universally interstate and often international; and seventh, that the governmental regulations which it now observes have begun to narrow its field of activities, a condition which, carried to its logical conclusion, threatens ultimately to limit the operations of every insurance company to the State of its domicile.

There must be relief somewhere. The problem will not be solved by the States. It cannot be. The solution lies in the commerce clause of the Constitution, and an act of Congress, drawn on the theory I have suggested, would bring insurance before the Court in a proper way. It would be able to present its just claims, and they could be argued from the standpoint of a powerful precedent. So presented, the question would at least be settled and insurance would know finally whether it may go forward or not. I do not believe, therefore, that an amendment to the Constitution of the United States is necessary. I believe that insurance *is* commerce. I believe the Supreme Court, which has, as I see it, already said so by implication, will ultimately say so by definite decree.

State supervision of insurance is not as logical as the union of the Colonies under the Confederation. The Colonies had in their Congress at least one point of contact. There is no point of contact in State supervision, no common authority.

There was chaos under the Confederation; there are chaotic conditions now under State supervision. The Colonies needed a larger, a stronger, a broader plan. They found that plan in the Constitution. Society itself presents much of the savage individualism that would certainly have destroyed the Colonies under the Confederation. The rule of the strong is the law of society. Waste, inefficiency, brutality, selfishness, the lack of any comprehensive plan, make even the best of civilizations more or less inhumane. Society would like to be humane, but it has little time and no sufficient program. Society has advanced only to that condition of efficiency which was exemplified in the Confederation. It needs a Constitution which shall provide a more perfect Union. Insurance—fire insurance as an instrumentality of credit and traffic, and life insurance as a sure and just method of capitalizing human life—presents a plan, and, so far as it goes, an adequate plan. But, like the Constitution, it operates, if it operates effectively, directly on the citizen and not on the several States. In other words, the plan of insurance—especially of life insurance—is the plan of the Constitution.

Through Federal supervision we seek the adoption of this social constitution. When that is done, the chaos of the Confederation, of State supervision, will disappear as certainly as it did in 1789. Otherwise the outlook is not hopeful. Reaction has begun. There is no escape ultimately from one of two conditions: either Federal supervision, with an increase in the usefulness and the strength of insurance, which always follows a change from confused to sound methods; or, retreat. Retreat means immeasurable loss; it means ultimate retirement for every company to the confines of the State of its domicile.

Will insurance act? Will Congress act? Will Congress and the Supreme Court, through the commerce clause of the Constitution, or through some of the government's implied

powers, open the door to that larger field which the business alone is qualified to occupy?

The door is there. It has swung open many times.

It opened and through it passed that stately procession of commonwealths which has added thirty-three stars to the flag.

It opened and through it passed the Monroe Doctrine.

It opened and through it came the Emancipation Proclamation.

It opened and through it came a national currency.

It will open again—indeed, it seems almost ajar now—and through it in some form will come Federal supervision of interstate insurance.

LIFE INSURANCE AND THE MORAL OBLIGATION OF EMPLOYERS

An Address delivered at the Tenth Annual Dinner of the National Civic Federation, Hotel Astor, New York, November 23, 1909

THE growth of life insurance and the development of a deep sense of responsibility on the part of employers of labor toward their employees are contemporaneous and kindred phenomena. They represent a better knowledge of the value of human life and a recognition of the increasing demand now fairly made on the controlling forces of society, by age and industrial misfortune, as well as by infancy, congenital incapacity, and weakness.

The middle-aged and the socially inefficient now form a relatively larger section of society than ever before. There are two reasons for this. The first is, that while there may not be as many children born now as formerly, amongst certain people, of the number born a much larger portion reach maturity. In other words the ratio of adults to a given number of births has increased. The

second reason is that modern business methods and the modern corporation, especially the manufacturing corporation, have created new conditions and complications. They have added to those who join the dependent classes under a simpler life, those who become dependent because their active lives have been devoted to highly specialized work.

Highly specialized labor is constantly menaced by loss of occupation, and this menace increases as the age of the worker advances. Under the fierce competition which governs the greater portion of our industrial life, new processes, new methods, short cuts, labor-saving devices, new inventions, are all eagerly sought by the employer of labor. Some of these are revolutionary in their effects. They call for a readjustment of the whole plant. When that readjustment comes, the older men are invariably dropped. In short, the avenues which lead to employment, for all highly specialized labor, are practically open now only to youth. The middle-aged man enters with difficulty, and the man past middle life substantially cannot enter at all. The man who did many things, none of them highly specialized, from twenty to sixty-five, is likely never to become entirely dependent upon society. The man who did some highly specialized piece of work which involved only a part of some specific thing, or even a part of a part, may be forced into the dependent class before he reaches old age, and when he joins that class he is much more helpless than the man who has done many things. It is probable that the specialist, although he labored fewer years, rendered society the more valuable service of the two, and that therefore he has, morally at least, a clearer title to consideration. But however that may be, he is the inevitable product of the whole plan of society and business, and the obligation of the man who employs him, and the interest of general society

in what finally becomes of him, are clear and unavoidable. That this class must be shown how to protect itself against the menace which it constantly faces or that it must be helped outright after disaster or age come, are compelling facts in the sociology of the times.

There can be no question that a system which teaches these people how to protect themselves against this menace, is more in harmony with the genius of our institutions than a system which coerces them into action or a system which finally places the burden of their support and care upon general society. It does not follow that a system which works well in Germany would work well here; or that a system which appeals to the needs of the people of Great Britain will answer here. There are distinct advantages in the German plan,—chiefly that it is compulsory and that the laborer is forced to make provision for certain benefits even though he may have no very intelligent understanding of the wisdom of the plan or its effects on society. There is a difference between the compulsion of government, which tells the workingman that certain things must be done, and the proposition of a corporation which tells a man what the conditions of his hiring are. If the conditions named by the employer involve some system of life insurance, some system of deferred annuities, a man can study the question and take a position or leave it alone because it recommends itself to his judgment or otherwise. This is a slower process than the German method, and probably for a good many years will be more expensive; but it seems to me to be in harmony with our notions of individual responsibility and the rights as well as the obligations of American citizenship.

The efficient employee, in specialized labor, has a fair claim to something beyond the returns contained in the ordinary contract of hiring. This right may be strength-

ened and its realization advanced, but it cannot directly be met, in this country, by governmental action. The capable worker deserves and should demand a program of hiring under which he shall be entitled—and entitled by contract, not by the grace of his employer—to certain protection for his family if he dies prematurely, and to certain protection for himself if in the vicissitudes of industrial war he is shelved and wholly or in part compelled to join the dependent class.

There are sound reasons why corporations should avail themselves in this work of the highly developed system of insurance and annuities presented by the responsible insurance institutions of this and of other States. Any effective system if established by corporations independently, will be based on the principles and methods used by the insurance companies, and therefore the work for obvious reasons is in the end likely to be more effectively and more economically done by men who are experts and specialists than by men who undertake it with no special training and with minds chiefly occupied by the demands of other lines of work.

I shall therefore assume that life insurance, and probably other types of insurance, including accident and sickness insurance, as represented by existing corporations, is not only well equipped to help in the solution of this problem, but is a part of the evolution of the times which has produced the problem itself, and is another illustration of the curious fact that in the processes of evolution a solution of a problem often appears at the same time the problem itself is evolved. For example, what might have happened in the enormous industrial activity of the United States and its necessary output of securities seeking purchasers, if millions of people, combining their small savings in the reserves of the great life insurance companies, had not appeared upon the scene

contemporaneously seeking securities in which to invest their money? The function of life insurance and of other types of insurance on the one hand, and the obligation of the employer of labor to his employees on the other, bear, it seems to me, an identical relation.

Life insurance is already effectively at work. While the employer of labor has only in the most limited way used the idea or appreciated its beneficence, progress has been made toward the solution of this problem. Eliminating industrial companies and including only those companies whose business is supposed to be confined to people of means, we find the average policy the country over is a little under $2,000. In other words, the mass of so-called regular insurance is held by people of small means. If now we add to these the millions who carry what is called "industrial" insurance, and the other millions who have so-called "fraternal" insurance, we have covered substantially the whole insurance field. We comprehend an interest whose accumulations surpass those of any other single line of human endeavor, except the accumulations of savings banks, and yet we have not gone outside of what may properly be called the laboring class. The energy of life insurance management, in other words, and the obligation which the laboring man feels toward his family, have in their development far outrun the sense of obligation of the employer. We have now reached the point when the employer is beginning to do his part,—but as yet he has only made a beginning. That he will do more is certain; that he will do much is almost equally certain. That existing insurance institutions will be utilized is, I believe, a necessity. But if this is to be done, there are certain interfering conditions which must be dealt with before any such plan—however desirable, complete and beneficent—can be carried into effect.

First, insurance—and other business too—must be

relieved of the annoyances and burdens which attach to compliance with the behests of forty-six sovereign masters —forty-seven now, since the general government has decided to create a Federal Insurance Bureau for purposes of taxation only. When the Supreme Court declared that insurance was not even an instrumentality of commerce, I am constrained to believe that distinguished and honored body lacked information as to the part which fire insurance and life insurance even then played in the commerce of the country.

In a decision made a generation later the Court, on a question which involved the same principle, and brought insurance in indirectly, apparently overruled its earlier decree. But that brings no relief.

Let me illustrate the absurdity of the present condition:

An applicant for life insurance lives in New Jersey and I have a policy on his life ready for delivery on my desk. If I telegraph him about the policy, the message is interstate commerce. If I telephone him about the policy, that is interstate commerce. But if I send the policy itself to him by hand or through the mails or by express, that is not interstate commerce.

Of course such doctrine has encouraged radical action by the various States of the Union. And the business is now harassed by regulations and restrictions and limitations which destroy efficiency and involve heavy expense. A large number of States have successfully nullified the Constitution of the United States by compelling companies of other States to agree, as a condition of the continuance of their franchises, that cases against the company arising in that State shall not be taken to any Federal Court. And yet though life insurance is thus denied the protection theoretically provided for all, in the Federal Constitution, the Federal Government now materially

adds to the enormous burdens of taxation which policyholders pay the several States by an added tax—giving the companies no franchise, no added protection, nothing in return.

Ex-President Eliot, speaking here two years ago, said that the entire United States was really not as large then as New England was sixty years before. And, while that is true, and while it presents an opportunity for industrial and commercial development such perhaps as never existed before in any country, business is faced by the reactionary effect of having within our own country to deal with forty-six different frontiers, and is being paralyzed by the fact that the individual States are attempting to supervise affairs that comprehend and relate to all the States. In other words, under the plea that States' rights must be preserved, the States are invading the national domain and are enormously retarding national development.

Before life insurance and its process of capitalizing the strength of to-day as against the weakness of to-morrow can be broadly utilized, interstate insurance must be declared by Congress to be what it manifestly is—not only an instrumentality of commerce, but interstate commerce.

Again, before existing insurance institutions can be effectively used, legislation by the various States affecting companies domiciled in such States must be the product of something besides hysterics. I have frequently commended much of the so-called Armstrong code of insurance laws, but there are some sections in that code so bad that they would be a blot on the statute book of a semi-civilized republic. Wisconsin has bad laws; so has Missouri. Texas has asserted her sovereignty to such an extent that substantially every responsible life insurance institution has been driven beyond her borders.

To be a little more specific. Our legislators passed the Armstrong laws hurriedly. They had little time for consideration of a problem which was intricate and vexatious; which involved billions of value and the direct interests of millions of people. Radical legislation usually involves constitutional questions. One of the great functions of Courts is to protect the people against violent legislation; one of the great duties of Courts is to see that the fundamental law of the land is not violated by legislators. Apparently recognizing the fact that some of these statutes might be in violation of the fundamental law of the land, the framers added a blanket amendment which declared that any violation of any provision of these statutes should of itself be a misdemeanor. Any mere business transaction which, in its nature is no more criminal than eating dinner, if done for any reason outside the specific rules laid down, is declared to be a crime. Consequently, however destructive or unjust any section of the law may be; however cunningly special interests may have entrenched themselves behind the phrasing of the statute; however economically unwise and unfair any provision may be, there is substantially no remedy. Without first committing a crime, the question of constitutionality can be raised only with extreme difficulty. Access to the courts is as effectually barred here as access to the Federal Courts is barred by the statutes of some of the States.

Another section on the face of it assumes to limit by calendar years the legitimate activities of the insurance companies of this State,—but not those of other States here or elsewhere.* The statute is one of peculiar interest, not only to the Civic Federation because of its increasing study of industrial insurance, but to every citizen who

*Since modified and made to apply to all companies doing business in the State.

represents any business interest and is jealous of his right to a fair and free exercise of all his capacities. The statute introduces what is perhaps the most radical principle ever written into the laws of this State. Having in other sections fixed the cost at which life insurance may be acquired, having provided for the most scrupulous and detailed supervision by the State, having exacted the fullest publicity, the code in this section undertakes arbitrarily, in addition, to limit the activities of companies by calendar years. But this section is not altogether what it is generally understood to be. Let me make that clear by a hypothetical illustration: Suppose there should be a general discussion before the people of the State of the propriety of legislation involving this principle as applied to various kinds of business. Suppose after discussion the Legislature should announce that it intended to enact a statute which would limit the amount of deposits which the banks of the City of New York might receive in any one year, fixing the limit at about one-half the sum which a number of banks were then receiving. Suppose the Legislature should announce that it intended to pass another law limiting the number of papers which the great dailies of the City of New York might issue in any day, fixing the limit at about one-half the number several papers were then issuing. You would probably denounce both proposals as violent, repugnant to American ideas. But suppose again that the Legislature went ahead and passed the laws; and suppose when you came afterward calmly to analyze the laws you found that while they had theoretically enacted the limitations which they had proposed, the language of the statutes was such that the limitations proposed applied to every bank except the National City Bank, and to every paper except the "New York World"! What would you think of such legislation? Section 96 of the insurance laws of this State is exactly that kind of

legislation. It creates a practical monopoly of industrial insurance amongst the companies of the State. It extends other favors to a single company, not specifying the company by name but reciting conditions and a fixed date which at that time could apply to no other company, which now can apply to no other company, and which at no future time can apply to any other company. It is a piece of special legislation so unmistakable in its purpose and in its effects that the motives of the men who proposed and arranged for it must always—justly or otherwise—be the subject of the cruelest suspicion. That such a law could be put upon the statute books of the Empire State and that it could remain there for a period of three years are ominous facts. That it can remain there much longer is inconceivable*

The possibilities of social betterment which lie in a wise joinder of the function of insurance in its various activities on the one hand, and the moral obligation of the employer of labor on the other, are substantially unlimited, and as yet have been barely tested. But before any such joinder can be made in any effective way, interstate insurance must be placed under Federal control, and some so-called reform insurance laws in this, and in other States, must be revised and rewritten by fair-minded men.

*The law has since been amended so as to apply impartially to all companies.

LIFE INSURANCE AND OUR DUAL CITIZENSHIP

An Address before the Western Massachusetts Life Underwriters Association and the Springfield Board of Trade, Springfield, Mass., March 29, 1910

THE position of life insurance as a social force is such that a candid discussion of the problems which confront life insurance management is welcomed now by responsible citizens everywhere.

Discussion is welcomed because the average citizen, even though he has no direct investment in any life company, understands what a constructive and conservative force life insurance has come to be.

Every one knows that the almost fabulous wealth of the United States has largely been produced by systematic borrowing. Railroads have been built into almost uninhabited regions, to be followed by the creation of great commonwealths,—chiefly through the use of credit. Cities have been equipped with all modern appliances, rivers have been tunneled, arid regions changed into landscapes of production and beauty,—by the same means.

The Western hemisphere is now being severed at the

belt in order to make real the dreams of Columbus and Hudson—to reach the East Indies by sailing westward. This involves such a use of credit that few nations could have undertaken it without some financial strain.

As a nation we are discussing the development of our inland water-ways and this will involve another large use of credit.

New York State unaided is spending over $100,000,000 on the Erie Canal and its branches, and $50,000,000 on good roads. All this is possible only by the existence and use of credit. Credit applied to the needs of such statesmanship—because all these projects are matters of statesmanship—invariably takes on the form of bond issues.

When a bond is offered for sale, however excellent the credit of the maker, it cannot be sold unless there is a purchaser and the purchaser must have cash. In other words, if our vast system of expenditures were not supplemented by equally vast systems of saving and accumulating and investing money, credit would fail and progress would falter, if not at times entirely halt.

But we have such systems. The wealth already created through our systems of national and state and industrial development is so vast as to overtop the accumulations of any other people, and the figures which express or estimate its bulk are so large as substantially to lose meaning. Over against this is the corresponding and necessary evidence of debt; and over against both—the wealth and the debt—stand our unmatched systems of saving, accumulating and investing money.

I am within the facts when I say that life insurance is the largest, the most aggressive, the most effective idea at work along these lines in modern society. The accumulations of savings banks are a little larger than the accumulations of life insurance; but they are not so effective.

1st, because they cannot be used so broadly under the law,

2d, because they lack that peculiar social power with which life insurance funds are impressed—the power to prevent social and economic catastrophe, the power measurably to make good, and make good in money, the premature loss of that invaluable but severally unstable asset called human life, the power to halt the collateral disasters which usually follow man's mortality.

But it is not my purpose now to speak of that side of life insurance, the side which gives it moral force and an all-sufficient justification. I wish rather to speak of the governmental and supervisory problems which face life insurance, and the conditions which menace its growth.

The great rivers of our country, seeking their necessary outlets, obey the very law which underlies the proper and effective development of life insurance, when they follow their natural channels, disregarding State lines, meandering through territories of so-called sovereign States. For each separate, so-called sovereign State to attempt to tax, to regulate, to control all traffic on any navigable river which crosses its territory, would be no more unsound and no more destructive, no more unjust and no more selfish, than the present taxation, control and regulation of life insurance by forty-six separate and semi-hostile authorities.

As a result of the methods by which it is now regulated and controlled, life insurance finds itself in the very forefront of those interests which are demanding a wider use of Federal authority, a broader interpretation of the enumerated powers of Congress, a further application of the substantially unlimited powers of the Federal Supreme Court.

In order to state the problem clearly and foreshadow a possible solution, it will be necessary to state and discuss some fundamental facts and some historical events.

In the summer of 1787, in about ninety-five working days, our fathers produced that charter of Free Government which we call the Constitution of the United States. In that instrument they undertook the solution of this problem: "How may a central government be created which shall possess all the attributes of sovereignty and yet leave local sovereignty in the hands of the States over which the central government presides?"

They put forth a framework of government that so answered the needs and prejudices of the time that it could be adopted, and yet was so elastic that it has stood the test of conditions then undreamed of, will stand other tests now being applied and the test of other conditions yet to arise. So far as was humanly possible, they solved the problem; but each generation since that day has had to solve the problem over again. Any generation which followed them could have rendered the solution of these problems futile. We can do the same thing now; but we are not likely to.

Our problem is to apply the same instrument to the peculiar conditions of our times, and, notwithstanding the greater complexity of our life, the vaster interests involved, and the greater forces at work, the accumulated experience and wisdom of a hundred and twenty years ought to make our task relatively simple.

Is there a single all-controlling idea or principle in the structure of our Constitution? If so, what is it? There is such an idea or principle. It is this: *A dual citizenship,* under which we are at once citizens of States and citizens of a Nation whose sovereignty is drawn directly from the people of many States.

Theoretically the spheres of action of the Nation and

of the States are well-defined; practically they are not. Between them there has always been, there will always be a zone of debatable questions. So to define these spheres of action by statute, by custom, by constitutional edict, written or unwritten, as to husband, encourage and develop the energy and the business genius of all the people, and at the same time preserve individual liberty, local rule and true democracy, was the problem then and is the problem now.

This problem has been vital from the beginning of our national life because national development has at times shifted these spheres of action almost violently. We say that our government is Federal in form, but all men haven't the same conception of what the word "Federal" means. For example, the "New York Times" recently referred to the Federal Government as "the creature of the States". It would be difficult to imagine a more complete misconception of fundamental fact, or a statement more pregnant with evil possibilities. Our national government is not and never was "the creature of the States". It was not and is not the creation of the States. It was and is the creation of the people, and its sovereignty comes direct from them,—a principle which has been stated and restated in decisions of the Federal Supreme Court.

Through our National citizenship, all Federal authority is derived from us and not from the States, and the central government acts directly on us, and not on the States as corporations.

Our fathers had been to a great school and they had learned a great lesson. They had learned that government must be by sovereignty and not by contract. The Confederation of 1781 was government by contract. The framers of our Constitution, therefore, wisely decided that the individual is the only proper subject of govern-

ment, and that national sovereignty is derivable only from him. A free government cannot be made out of states or colonies or corporations as such. A government if free and effective must be a government of, by and for men.

And yet, notwithstanding the business chaos, the local bitternesses, and the national impotence that sprang from the Confederation, so great was the fear of centralized power that into the framework of our Constitution some Confederation ideas were interwoven,—notably the selection of the United States Senate, which the Constitution intended should not be chosen by the people, but by the Legislatures of the various States.

Time and experience are gradually eliminating every vestige of the Confederation idea. The history of Constitutional development shows clearly that the clauses which represent that idea have steadily lost prestige. They have not only lost relatively, but absolutely. The tendency of national development is unmistakable.

Citizens of one State have continually come into closer and wider relations with citizens of other States only to find that, notwithstanding their various domiciles, they are fellow-citizens, and that this common citizenship is pregnant with possibilities beyond the reach of citizenship in any single State. These relations have changed the whole point of view, advanced the people of the country into a new world. The development has not been the result of any plan or plot, as some extremists claim. It has come from the irresistible force of events. The central government has been obliged from time to time to reflect this development, but it has always been slow to act. It has acted only when forced to do so. It has frequently been tardy. It is tardy now. We are as a people suffering from the hesitancy of the Federal power, not from its aggression. The Federal power and the Federal

idea have been forced to advance,—development has compelled it.

Contrast the attitude of the people to-day with their attitude in 1789. Then their affections were centered in the several States. The people of each State looked with more or less hostility upon the people of the other States. They regarded with grave anxiety the new plan upon which they had entered. The adoption of this plan long trembled in the balance, and nowhere was the fight over its adoption more doubtful and more bitter than in the State of New York. Now the affections of the people are centered in the Union. Affection for the State is perhaps no less, but with the development of a national consciousness, a realization of the power and advantages which spring from a mighty national life, has come a newer, a wider, a more compelling patriotism,—a patriotism which overleaps all State boundaries and gives unity as well as vitality to the people's work.

This broader patriotism makes it impossible for the people to take too seriously the assertion that the several States are sovereign. Sovereignty is a rather general word, but to the average citizen it means a very definite thing. It means Washington, and not Albany, or Boston, or any State Capital, in any broad sense. It means the American flag, it means the ideals at which the Fathers aimed, for the achievement of which they planned. It means the power that lies in our citizenship,—not in any State—but in the United States.

Business has been the great instrumentality which has broken down the imaginary barriers which formerly divided us. We move freely about amongst the States. Many of us during our lives have established citizenship in several States. We found that Colorado was just as much our country as Vermont, South Carolina just as much our land as Oregon.

But there has never been a moment since 1789 when the seeming conflict between National power and the Rights of the States has not been in the hearts, if not on the lips, of our citizens and lawmakers. The Nation has grown up like a sturdy oak, and it stands to-day truly the wonder of all other nations—not only vigorous and beautiful, but still developing. That it can and must develop still further is not only our belief, but is almost a world necessity. This belief was lately challenged, however, by a man justly eminent and distinguished—Hon. Elihu Root, junior Senator from the State of New York.

It is curious that such a challenge should come and come repeatedly from the Empire State.

Governor Hughes first announced it locally when he declared that legitimately conducted life insurance companies not only could become a menace to the public through sheer size, but that certain companies were already too large. New York has actually written this idea into her statute book. Now comes Senator Root, representing the national citizenship of New York, offering the same gloomy doctrine for application to our national development.

Answering a plea which I made at the annual dinner of the National Civic Federation on November 23, 1909, asking that Congress act under the commerce clause of the Constitution and declare all interstate insurance transactions to be interstate commerce, the distinguished Senator, opposing the suggestion, said:

> **"Already the Administration, already the judicial power, already the legislative branches of our government, are driven to the limit of their power to deal intelligently with the subjects that are before them."**

Such testimony from such a witness is startling as well as amazing. It is startling because, if it states facts,

then either our Federal plan has reached its zenith, or we need a new lot of men in Washington and a reorganization of the governmental plant. Any opinion on such matters expressed by Senator Root is entitled to respectful consideration, but I am inclined to think he is mistaken in his picture of a central government—either much overburdened or else much over-valued. The Senator made the foregoing statement after saying this:

> **"The interdependence of life, wiping out State lines, the passing to and fro of men and merchandise, the intermingling of the people of all sections of our country without regard to State lines, create a situation in which from every quarter of the horizon come cries for Federal control of business which is no longer confined within the limits of separate States."**

This cry for Federal control is a necessary result of the obliteration of State lines which has followed the developments of a hundred years of national life. Is that development undesirable? Is it unsound? Is it artificial? Is it detrimental to any interest that is really local? Is it in any way hostile to the avowed purpose of the fathers who drafted our great charter in order to "establish justice, * * * promote the general welfare, and secure the blessings of liberty" as well as

> **"In order to form a more perfect union"?**

The answer is that the purposes of the Constitution, as expressed in its preamble, could not have been realized in any other way: not merely because our national greatness has come that way, but because at about every point where our growth has been retarded, in about every crisis which involved national continuity and power, we have had to defeat an attempt to depart from these lines of growth. Every development of the past hundred years has been ineffective so far as it has halted short of a

full compliance with the fundamental fact that the central government acts directly on the citizen, that it acts for the whole people, that its sovereignty is complete and that justice for all the people cannot be administered through any other instrumentality. The cries from all parts of the horizon which assail Senator Root's ears are protests against arrested development,—they are demands for that larger opportunity which is ours by right of the citizenship explicitly granted to each of us in the Constitution and restated in the XIV amendment, a citizenship greater and finer than fealty to any State and not in any way hostile to local rights.

The citizenship which first gave us a place in the world and a future, was our citizenship under the Constitution. Without that our other citizenship was meaningless to the world, and to ourselves a cause of discord, reprisals, civil chaos and commercial war. Except as restrained by devotion to our duties and rights under our larger citizenship, local citizenship still takes on those tendencies now whenever the interests of citizens of one State, obeying a natural law, expand and include or affect the interests of citizens of sister States.

It will be necessary to notice a little more in detail by what means and through what power the enlarged ideas of the people have been made effective in a country whose fundamental law is a written Constitution, whose central government is supposed to be one of strictly enumerated powers. How have the needs of the people, and how has public opinion reached and modified the supreme law of the land? Because it has been modified; national development has compelled it. As a matter of fact, ours is not wholly a government of enumerated powers. The powers of the legislative branch of the central government are in a broad and general way enumerated. On the other hand, the grant of power to the Judiciary is complete. The theory

on which the Constitution-makers proceeded in providing for this branch of the Federal government was almost exactly the reverse of the theory on which they proceeded in creating the legislative branch. Congress may legislate only along those lines which the Constitution enumerates. Anything not fairly coming under the enumerated grants of power is reserved to the States, or to the people of the United States. To the Federal Judiciary a complete grant of power was made. This was later modified by the Eleventh Amendment, and of course can be further modified by amendments made in the constitutional way. But it is entirely a mistake to assume that the Judiciary and the Executive—two out of the three great branches of the Federal government—are limited in their activities by specific grants particularly enumerated.

No judicial tribunal in the history of free government has ever been vested with power equal to that belonging to the Supreme Court of the United States. Under no other Constitution—written or unwritten—has it ever been possible for a statute which has been legally and regularly passed by the Legislative department of government to be declared void by the courts. The Supreme Court has not only been clothed with power through its unrestricted authority from the people to deal with problems as they have arisen, but it has really been clothed with authority to say how far the enumerated powers of Congress reach. Acting under what it assumes to be its rights, and operating along the lines of one of the grants of authority made to it by the people, Congress legislates; but it does not follow that its statute will stand. The Supreme Court may declare it null and void. On the other hand, if Congress, responding to a demand of public opinion, legislates along lines which might seem to be not specifically covered by any grant in the Constitution, that action is valid and part of the law of the land

if its validity comes before the Supreme Court and is sustained.

Whether or not, as some writers have held, the whole of the English Constitution was implied in our Federal Constitution, is an academic question, because under the extraordinary powers of our Supreme Court an unwritten Constitution has been growing up in a manner corresponding to that in which the Constitution of England has grown up. A common remark by writers on this subject is that we have no Federal common law, but the Federal Supreme Court, in the great case of Kansas *vs.* Colorado,* held to the contrary, stating emphatically that the Court was erecting from day to day a body of definitions, precepts, rules of action, etc., which could be properly described by no other name. Here then has been and is the power to deal with this never-ending conflict, this zone of debatable questions. Here has been and is the power which has developed the fundamental law as the relations between the Nation and the States have changed.

Prof. Washburne, of Indiana University, has recently called attention to the fact that the written Constitution has not been amended in the Constitutional way in over one hundred years, and to the probability that it never will be amended again in that way. The statement is entirely correct. The Thirteenth, Fourteenth and Fifteenth Amendments were adopted in a period of revolution. All the State Legislatures did not vote on them, and if they had, they would never have supported them. The proposed amendment, making a Federal income tax constitutional, is almost certain to fail.

But the Constitution has been changed nevertheless, and it will be changed again. Whatever the demands of the Nation's growth and of the Nation's welfare may be, whatever new and strange governmental problems may

*206 U. S. 46 (at 96).

arise, the unwritten Constitution and the Supreme Court will be equal to them.

It goes without saying that every detail of government which can be dealt with locally and carry out the high purposes of the Constitution, should be dealt with locally. There never was any danger that really local affairs would be interfered with by the Federal Government. They never have been; they never will be unless such interference becomes necessary to the execution of some general power of the government. There never was any body of public opinion which would tolerate such a condition for a moment. No: the trouble has all come the other way. Local governments have interfered with what was national in its scope. They are interfering now, or rather they are doing what the general government ought to do and neglects to do, and they are doing it very badly.

Over the question of whether a State could break the bonds that bind the citizen under the direct sovereignty of the United States, a fearful war was waged—and the distinctive principle which makes this a Nation and not a Confederation was vindicated and irrevocably established. Yes, the central government is your government and mine, ours directly, with no person or corporation or State intervening. Without that principle we could never have become a nation. It cost so much to reaffirm the fact that there can be no doubt about the purpose of the people under it.

It is elementary that no business which takes on a national character can be economically or efficiently regulated by the several States. The history of the old Confederation, with its "organized and carefully barricaded impotence", tells what happened and what always will happen under a confederation. It tells what is happening now.

Cries for Federal control are the growing pains of a great people. Let Senator Root and all others who are leaders make no mistake. The people of the country are not afraid of themselves, and they are no more doubtful of their power as citizens of the United States than they are of their power as citizens of the States. They see their opportunity and they will not run away from it. On the contrary they will crowd every opportunity. Having a given thing to do in common, no one can persuade them that they cannot do it better by doing it once for all than by doing it forty-six times. No one can persuade them that efficiency and economy and national greatness and their own best interests do not lie along Federal, rather than Confederation, lines. Not even sympathy for the alleged burdens of Washington can so blind the average citizen that he will not see the infinitely heavier burden, the vastly greater expense and the hopeless confusion which lie in forty-six separate, sovereign administrators over a common interest.

The commercial anarchy which existed in 1787 and compelled the formation of the Union was not different except in degree from the anarchy which exists to-day under State laws relating to Divorce, Bills of Lading, Negotiable Instruments, the Law of Sales, Warehouse Receipts, Common Carriers of Freight, the Formation of Corporations, the Supervision of Insurance, etc., although progress toward uniformity of legislation by the States has been made on some of these subjects. Now, as in 1787, each State legislates selfishly. Then the Colonies which had seaports oppressed and robbed those with no seaports. This was not bettered by attempts to get together as States under the Confederation. That attempt merely made matters worse because it showed how much power for evil a single State had in any legislation that affected all the States. Attempts at uniform action by

the States now will succeed better, not because the attempt is economically any sounder than under the Confederation, but because of the overshadowing importance and power of our national citizenship. All attempts by any so-called "House of Governors", or by Commissions on Uniform State Laws, must fail in 1910 as they failed in 1787, only perhaps less hopelessly because the hostility that then existed between the States has substantially disappeared under the "commerce of men and merchandise" which has led to a demand for more Federal control.

Again, a given transaction may be local to-day and interstate to-morrow. If an act to-day naturally and properly involves the right of no citizen resident in any other State of the Union, then that act is local and not in any way subject to Federal control. But suppose through impulses imparted by science, by invention, by social readjustments, by perfected transportation, the same transaction comes to involve the rights of citizens in another State, the rights of citizens in ten other States, in forty-five other States? What then? How shall such citizens protect themselves? Through the law of the claw? By retaliation—as we did in 1787 and as we do now in insurance supervision? Or shall we find relief and justice through the rights granted under our citizenship in the nation?

Life insurance—what it is, what it means, what it does, how it operates socially and financially—has never been fairly presented to the Supreme Court. Unfortunately insurance was in 1869 declared by the Supreme Court not to be interstate commerce. The three decisions relied upon by opponents of the national supervision of life insurance are that in Paul vs. the State of Virginia, rendered in 1869 and relating entirely to fire insurance; that in Hooper vs. the State of California, rendered in 1895, and relating entirely to marine insur-

ance; and that in New-York Life Insurance Company vs. Cravens, rendered in 1900, relating to the validity of a statute of Missouri, in which the plea that the subject matter was interstate commerce was made incidentally.

In the first case the Court decided that fire insurance policies were not articles of commerce—something having an existence and value independent of the parties to them—but were contracts of indemnity against loss by fire. In the second case the Court quoted from Paul vs. Virginia and said a contract of insurance was not an instrumentality of commerce, but a mere incident of commercial intercourse, and that there was no difference in this respect between insurance against fire and insurance against "the perils of the sea". In the third case the Court referred to the other two decisions, quoted the statement that there was no difference between insurance against fire and insurance against the perils of the sea, and said—"And we add, or against the uncertainty of man's mortality."*

In Paul vs. Virginia, the Court said:

*"Issuing a policy of insurance [i. e., fire insurance] is not a transaction of commerce. The policies are simply contracts of indemnity against loss by fire, entered into between the corporation and the assured for a consideration paid by the latter. These contracts are not articles of commerce in any proper meaning of the word. They are not subjects of trade and barter offered in the market as something having an existence and value independent of the parties to them. They are not commodities to be shipped or forwarded from one State to another and then put up for sale. They are like other personal contracts between parties which are completed by their signature and transfer of the consideration. Such contracts are not interstate transactions, though the parties may be domiciled in different states. The policies do not take effect—are not executed contracts—until delivered in the State of Virginia. They are then local transactions, and are governed by the local law."—8 Wallace, 168.

In the second case the Court quoted from the decision in Paul vs. Virginia and argued that the attempt to show that marine insurance is interstate commerce

"ignores the real distinction upon which the general rule and its exceptions are based, and which consists in the difference between interstate commerce or an instrumentality thereof on

Life insurance is thus disposed of in just ten words, and those ten words assert its identity in nature with fire and marine insurance. A full discussion of the subject would necessarily note the following points of dissimilarity:

1. A short term life policy without the privilege of renewal is not quite of the same nature as fire and marine policies; a life or endowment policy issued on the level premium plan presents very material points of difference.

2. In 1869 when the decision in Paul vs. Virginia was rendered, life insurance policies as usually issued had no guaranteed cash value—their value was contingent upon the death of the insured. They now have both a contingent and a cash value.

3. In fire and marine insurance the thing insured is a subject of commerce; in life insurance there is legally no traffic in the thing insured, although the most important traffic between the States is the interchange of men

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the one side and the mere incidents which may attend the carrying on of such commerce on the other."

* * * "The business of insurance is not commerce. The contract of insurance is not an instrumentality of commerce. The making of such a contract is a mere incident of commercial intercourse, and in this respect there is no difference between insurance against fire and insurance against the 'perils of the sea.' "—155 U. S., 648.

In the third case the Court said:

"That the business of fire insurance is not interstate commerce is decided in Paul vs. Virginia [others given]. That the business of marine insurance is not is decided in Hooper vs. California [and others given]. In the latter case it is said that the contention that it is involves an erroneous conception of what constitutes interstate commerce."

"We omit the reasoning by which that is demonstrated, and will only repeat [From Hooper vs. California]. The business of insurance is not commerce. The contract of insurance is not an instrumentality of commerce. The making of such a contract is a mere incident of commercial intercourse and in this respect there is no difference between insurance against fire and insurance against 'the perils of the sea'. And we add, or against the uncertainty of man's mortality."—176 U. S., 389.

and the mere transportation of them is interstate commerce; but the policy of life insurance itself represents such a buying and selling, is so completely negotiable, so clearly represents a value that may be traded in, and has come to be such an important item in credit as well as in interstate and even international relations, that if it is not interstate commerce, it is difficult to understand what interstate commerce is.

In the "Lotteries" case the Supreme Court found that lottery tickets had both a contingent and an actual value, and declared that they were therefore subjects of commerce.* If national supervision of life insurance was fairly brought before the Supreme Court by the affirmative action of Congress, by a Federal law declaring interstate insurance transactions to be interstate commerce,—as traffic in lottery tickets was by the statute of March 2, 1895,—I believe the Court would do what it has frequently done before—change its mind. Such a change of view would be in perfect accord with the Court's changed attitude on the subject of admiralty jurisdiction, the right of the national government to issue legal tender notes, and the validity of State laws relating to interstate commerce in the absence of Federal laws.†

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*Champion vs. Ames, 188 U. S., 492.

†"In 1825 in the admiralty case of **The Thomas Jefferson** the Supreme Court of the United States, in an opinion delivered by Mr. **Justice Story**, in which the great **Chief Justice John Marshall** concurred, declared that the admiralty jurisdiction of the Federal Government did not extend to the Missouri River because the sea did not ebb and flow in this river, and that while it was commercially navigable, legally it was not navigable. But the same Court in the admiralty case of **The Genese Chief**, in 1851, in an opinion delivered by Mr. **Chief Justice Taney**, overruled this doctrine and held that Lake Ontario was not only commercially but legally navigable, even though the sea did not ebb and flow in that body of water, and the same Court has since applied the same doctrine to rivers and even to canals. It was intimated by the Supreme Court of the United States in the **License Cases** decided in 1847, that in the absence of Congressional action, interstate commerce could be clogged and im-

The line of demarcation between local and national affairs is not difficult to ascertain. It has been well stated by Mr. Francis B. James, of the Cincinnati Bar, and is this: *All business transactions between residents of different States is interstate commerce.* No other rule will answer the needs of our people, and any other rule falls short of the power ceded to Congress in Paragraph 3, Section 8, Article I of the Constitution. Congress will so legislate some day—under the pressure of public necessity and under the leadership of men who neither fear the phantom of the old Confederation nor the bogie of centralized power.

The centralization of power, so-called, in Washington is always a centralization of delegated power. The real power remains always in the people. This is the fundamental superiority of the Anglo-Saxon Plan over the Roman Plan, and it answers in advance the arguments of the alarmists who see a Caesar some day sitting in the seat of George Washington.

Centralization in Washington is centralization of administration. The seat of power is unchanged. Washington acts on behalf of the same people for which the

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peded by State legislation; but this was emphatically repudiated in 1867 in the **Iowa Liquor Cases** in which the same Court receded from its former position and declared that in the absence of Congressional action interstate commerce should be free. There is, therefore, hope that some day the Supreme Court of the United States will give the full commercial meaning to the word commerce and lay down one broad rule that **all business transactions between residents of different States is interstate commerce.**"

—LEGAL AND COMMERCIAL ASPECT OF BILLS OF LADING.

An address by Francis B. James, of the Cincinnati Bar; President of the Ohio Board of Uniform State Laws; Chairman of the Committee on Commercial Law of the Commissioners on Uniform State Laws in National Conference.

10 Wheaton, 428 (6 Law Ed., 426);
12 Howard, 464 (13 Law Ed., 1067);
5 Howard, 504 and 507 (12 Law Ed., 256);
5 Wallace, 480; 5 Wallace, 462 (18 Law Ed., 497).

State acts. Washington's power is the same sort of power that the State has. It is derived from the same source, and bound by like limitations. It is inspired by the same purpose, except that its patriotism is as wide as the nation, not as narrow as a State. Centralization means efficiency; it means justice. No extension of Federal authority in our whole national life has ever resulted in anything but greater efficiency, more perfect justice and instant growth. Who even amongst those who fear the Federal power would undo what has been done? Who would turn the control of our banking and currency back to the States? Who regrets that Jefferson overcame his scruples about the purchase of Louisiana? Who would wipe out the Interstate Commerce Act? Who that is responsible for any considerable business, would not like to see Congress go to the limit of its power under the commerce clause?

Let us observe now some striking instances in which our unwritten Constitution coming into direct conflict with the fundamental written law has overborne it, and some further instances which show how rapidly the Confederation idea is being eliminated from our plan of government.

Presidential electors now exercise no personal choice in electing the President. It would be really unconstitutional for them to do so. But the written Constitution intended they should exercise a personal choice, and so provides.

Some States now elect Senators by the direct vote of the people,—the legislature merely confirming the choice thus made. The written Constitution clearly provides for a choice by the legislature as a counter check to the direct method of electing the House.

Until Jackson's time no President vetoed a measure merely because he did not approve of it. He exercised the veto power only on constitutional grounds. Now

a President vetoes any measure he does not approve of for any reason which seems to him sufficient.

The second paragraph of the XIV amendment clearly intended to reduce the repesentation in the House of Representatives of any State which should deny the negro the right to vote. This was followed by the XV amendment, which was intended to guarantee to the colored man the right of franchise. Does the colored man vote in the South? If not, why not? Simply because the unwritten Constitution overbears the written text, and not only is the XV amendment nullified but in part at least the XIV as well. Public opinion the country over will not tolerate the Southern negro at the polls, and rather than force such an issue, opinion even winks at the question of the constitutional basis of representation.

Originally no President attempted to tell Congress what it should or should not do. Grover Cleveland forced the repeal of the Silver Purchase Act in 1893. Theodore Roosevelt was a more important legislative factor during his seven years of service than Congress itself. President Taft forced important changes in the recent Tariff Law, and the country as a whole is now more interested in what he intends to do than in what Congress may plan to do.

The letter of the law is mighty, when the people support it.

Again, observe how responsive the Supreme Court has been to the changing needs of the Nation. Observe how it has interpreted fundamental law on the theory that the law was made for the people and not the people for the law.

For example, notice what has happened:

The government one day could not issue a legal tender note—the next day it could, because the Supreme Court changed its mind.

A Federal income tax was constitutional one day and unconstitutional the next, because one judge changed his mind.

And so with other important matters where the growth of the country had created new conditions which a wise court was bound to recognize.

The protest of insurance against the excesses of forty-six varieties of legislation, forty-six varieties of regulation, forty-six varieties of taxation, represents an acute form of a general protest.

In the late insurance investigation nothing was more clearly shown than that many State Legislatures had been systematically blackmailing the companies. Curiously enough, at the time the newspapers dwelt more on the misdeeds of the companies that had been blackmailed than they did on the doings of the blackmailers. But the people learned a lesson. Small wonder, therefore, that the people now support any honest executive, State or National, who shoulders a legislature to one side and goes direct to the mark. But if the people in single States find this action necessary, what is the condition of a business that must deal with all the legislatures in the Union? Do not the evident tendencies of government itself recite our difficulties and justify our protest?

Is it not a curious view that a man acting under his State citizenship is always a patriot, and acting under his National citizenship is probably a tyrant? Does the citizen act any less directly at Washington than at the capital of his own State? Does he act on a less intelligent body of men? Is he himself less to be trusted? Why suppose that a man can be trusted to do things as a citizen of New York that he cannot be trusted to do as a citizen of the United States?

If some of our acts as citizens of New York affect the citizens of Colorado, why should they not have something

to say? But how shall they speak? Through a powerless House of Governors? Through agreements which can scarcely ever be reached, and if reached would necessarily be complicated, expensive, inefficient, and liable to change through the whim of any single legislature? Or shall they speak in the way provided—through their national citizenship?

The rights, powers and possibilities which lie in our national citizenship have evolved slowly. The evolution is still going on. Nothing except national decadence can stop it. The Supreme Court has been wise enough to see this, and whenever justice and national development demanded such action, the Court has been big enough to change its mind. That is all that is necessary now in order to secure Federal control of interstate insurance.

Note.—While this book was passing through the press the Supreme Court of the United States handed down a decision in the case of an assigned life policy, holding that such assignment gave the assignee the entire proceeds of the policy without reference to insurable interest. The bearing of this decision upon the foregoing discussion is obvious—a life policy is a thing of value and may be bought and sold and transported. Such traffic between the citizens of different states is therefore interstate commerce.

LIFE INSURANCE AND THE MAN

An Address before a Conference of the Principal Fieldmen of the New-York Life Insurance Company, at the Mt. Washington Hotel, Bretton Woods, N. H., Thursday, September 29, 1910

IN WHAT respect is the work of life insurance unique? What is the finest thing it does? Not what is its greatest achievement, measured as we measure the achievements of other forces in society, but what particularly unique and fine thing distinguishes it? In what important field is it first, indeed almost alone?

We dwell on the wonderful service it is rendering—especially in the great companies—through the necessary and large accumulation of securities. This service was little thought of a few years ago. Now all the world wonders at it, and all the politicians try to make it pay tribute. But in this service life insurance is not unique. Other great sections of organized society do the same work. The savings banks do it, the trust companies do it, although neither holds securities for such a high service or so completely divorced from all the influences which at times dislocate organized effort and bring ruin through violent fluctuations in values. We cannot, therefore, call this the unique, the finest product of life insurance.

We also dwell, and naturally so, on the beneficence which so distinctively marks the work of all life insurance. And they present a wonderful picture,—those millions sent daily almost with the speed of light just where they will do the most good. A policy maturing in Alaska is worth just as much as it would be if it had matured in New York, and the beneficiaries receive its proceeds almost as quickly. But, by way of comparison and contrast, we are told that the coal fields of Alaska are not for this generation. They exist and they will be utilized sometime, but a coal field located in Pennsylvania or Ohio or Kentucky is much more valuable. Here are questions of location, transportation, availability, etc. All these questions, including the question of immediate usefulness, are solved for the insurant, although the actual securities in a great life insurance company, or the values back of them, are more widely scattered over the earth than coal fields or wheat fields or any of the great subjects of trade and commerce. The demand for coal in Alaska cannot by any present system be satisfied because there is available coal in Pennsylvania; but the life insurance policy which matures in Pennsylvania or Alaska is immediately paid because there are policy-holders in both places. Here, again, life insurance is far in advance of any other system of beneficence known to society. But while it is more efficient than other projects, more immediate in its action, more substantial in its sources of responsibility and power, it is not in this respect unique. Everywhere there are great foundations doing similar work. There are hospitals, orphanages and homes for the aged and indigent with millions behind them dedicated solely to a beneficence which is fine but which not infrequently runs into charity. No, even this beneficence, which is naturally considered by many people to be the beginning and the end of life insurance, is not its unique, not its finest work.

If you begin now to wonder whither I am leading, I shall not be surprised. If neither the direct benefactions of life insurance nor its service to the industrial and commercial world as a buyer of securities constitute its unique, its finest service, in what does this service consist? Mind, I do not say its greatest service. I purposely use the words "unique" and "finest".

One of the noticeable contrasts between Europe and America is the larger number of insured and the larger amount of life insurance per capita in private corporations in America. Why is this? There must be a reason for it. Is it because our companies are more aggressive? Any one who has had experience in competition with the companies of England and of the Continent may claim some superiority for our organizations in that respect, but this will not explain the difference. Is it because management here is more efficient? No, except as environment and opportunity give a larger field. Can it be explained by more liberal contracts or larger dividends? None of these things fully explains it. In Europe generally life insurance is not a separate business. It is an addendum to something else. It is not carried from a broad conviction of the responsibility and frailty of the individual, an understanding of his needs and an appreciation of the might of united men. It lacks the something which can perhaps best be described by the word dignity. On the other hand, here life insurance is a great business separate and apart from other kinds of business. We sometimes write life insurance, it is true, as collateral to property interests, but the great mass of it is written to meet the social obligations, to make good the value, the earning capacity, of the individual man. It is written and carried to meet a peculiar obligation which the man feels here and does not seem to have, or at least not to feel in the same way, in other countries of the world.

I cannot stop to trace the causes which have created the

present conditions of society on either side of the Atlantic, —each with its virtues, each with its faults. But it is obvious that in one there is an environment favorable to large life insurance development, in the other an environment which does not lead to an equally great result. What is the particular thing in our environment which explains this contrast, and what part does life insurance play in utilizing that environment?

New ideas always have to fight against the habits, customs and superstitions of society. Life Insurance strikes a lower level in Europe because it is harassed and hindered by habits of mind which are the legacy of centuries, by theories of government under which individual responsibility has not yet fully emerged. In the United States, on the other hand, individual responsibility has emerged, habits of mind are forming, customs are being established, and age-long superstitions have substantially been eliminated. This creates the peculiar environment in which the life insurance idea has found its opportunity. In the maelstrom of our political and civil life—with Reformers and Insurgents, yellow journals and muck-raking magazines all busy, with unmistakable evidences of low standards of business morality and abundant proof that property is reckless of the rights of individuals, it is not easy to select any one feature of our civilization and say—"This proves that a sense of personal responsibility is growing; this proves that our people are fair after all; and while they are eager for the larger rewards which our theory of government promises, they are also alive to their duties and responsibilities and are making provision for them."

Can we, indeed, with confidence point to any phase of our civilization and say: This proves that duty is keeping pace with opportunity? The average reformer neither helps nor reassures us in our quest. His remedy, where admitted evils exist, is the deadly and destructive use of

law. "Put these men in stripes" cries the pulpit, and frequently the pulpit is right. "Crucify them by public reprobation and ostracism" cries the muck-raker, and he is frequently right, too; but these are the methods of desperation and war. They create nothing and cure little. If there is not abundant evidence to show that existing evils, while dangerous, are superficial, and that the great body of the people are honest, fair, just and keenly alive to the duties through which alone liberty may be preserved, our outlook is not hopeful.

We accept our rights and our opportunities as a matter of course. We take them as we take sunlight, good water, the safety of property, individual security, etc., not being conscious always that there is a sharp difference between what we as individuals enjoy and what the individual citizenship of any other nation enjoys. Obligation and opportunity are never far removed from each other. Do our people, consciously or unconsciously, respond to their obligations which are inseparable from their opportunities? No charge is more frequently repeated perhaps than this,—that every man in the United States assumes that every other man is doing his duty as a citizen, and therefore he can afford to neglect his.

I affirm that a sense of duty is fairly keeping pace in its development with the growth of the country and with the demands of our citizenship. Let us consider some of the evidence.

There is a natural, a necessary, a mutually creative relation between the development of life insurance in the United States and the peculiar character of the citizenship of the United States; each explains the other. American citizenship was the virgin soil; the life insurance idea was the vivifying, fructifying sun. The product, American life insurance, towers above other beneficent and business structures as the sequoias of California tower above the great

pines which surround them. In its result it surpasses other plans because it has reached in the individual what other plans have not reached, because it alone has cultivated and satisfied that sense of personal obligation to general society which rests upon every member of every American community. Whatever else they may do, whatever else they may be, our great life companies are conclusive proof that a keen sense of civic duty pervades the entire people.

Consider some of the facts which distinguish our citizenship from the citizenship of any other land: Here no man may be troubled because of his religious convictions. Do you realize that this is true in no other important country on earth? It has not been true here very long, but it is true now. The certain knowledge that we may not be harassed or oppressed over what we believe or do not believe about any of the great so-called fundamentals of religious faith makes us all stand a little straighter. It cost much to accomplish that. But church and state are forever separated here, really separated. That is not true of any other considerable nation. Such a condition seems perfectly natural to us, but it was not so natural to our forefathers. Only yesterday, or at most a few generations ago, they were hanging Quakers and jailing Baptists.

American life insurance could never have attained its gigantic proportions except for the complete separation of church and state, except for the regeneration of society which that condition has brought about. It could never have become what it is while some overlord was responsible for men's convictions,—so long as men did not directly and individually grapple with all the problems of life and of death, too. It could never have become what it is unless the souls of men had been awake, or unless it had been able to awaken them. With civil and religious liberty came the demand for a new man, or, perhaps it would be better to say, came the opportunity

for a new man. The calamity unspeakable would have been the failure of the new man to appear under the inspiration of such conditions. If selfishness and not responsibility, if license and not liberty had taken control, our last condition would have been worse than our first. All that might have happened. Many prophesied that it would happen. Some critics claim that it has happened; but we know better. We know that more and more our people love justice and fair play, more and more they hate graft and special privilege, more and more they value the right of franchise. Steadily they are rising to the high demands which government by the people makes upon its citizenship. But this condition has not come in a moment. It existed only imperfectly when the Constitution was adopted. Its germ was there, and it is flowering now largely because it has been watered by men of ideals and cultivated by institutions which have led the people wisely. This is history repeating itself. The world half unconsciously becomes ready for a great forward step, but in order to take that step it must have the leadership of a man or of an idea. Sometimes that leadership appears in the Monk who nails his theses to a cathedral door with hammer strokes which echo back from a continent; again it appears in the fanatic who, violating the text of the written law, rushes straight to certain death at Harper's Ferry, and shocks public opinion into crystalline form. Some great forward steps are taken gently and gradually without invoking the terror of battle-fields or the bitterness of theological discussion. The development of our citizenship under the spur of the life insurance idea, was such a step.

About two and a half generations ago, when as a Nation we had passed beyond our period of organization, had purchased Louisiana, fought the War of 1812, acquired the Oregon country, Texas, and the territory which includes

California, we were ready for our real advance. Just then life insurance began its active propagandism. As a clean-cut fact, what was its plea? It went to a man personally and said to him, first of all, "You are a man; you are valuable because you have responsibilities, high responsibilities to your family, to yourself and to the state. You cannot avoid those responsibilities and be a good citizen. No one else can discharge your duties for you. You can discharge them and you must". It appealed to manhood. Its voice cut through the fogs of prejudice, the clouds of superstition, and the mysteries always assiduously cultivated by every type of ruler. It was many-voiced and many-tongued. It sent out thousands of missionaries preaching the new gospel. These preachers could not talk to their text, they could not succeed, if they wandered from the doctrine of man's individual responsibility. They preached no hatred of other men; they held up no terror of authority; they offered no menace; they appealed to no impulse of greed. They didn't talk systems of government or religion. They struck straight for the greatest thing in the world—a man's self-respect. They reached it, and when we understand that fact, wonder ceases over their mighty success. When they reached self-respect they quickened the man. When there was in the man only a spark, they fanned the spark into a flame. When that flame burst forth the man was transformed. Away went inherited fears, away went the hesitancy and lack of decision and weakness born of dead generations and dying systems. Forth stepped not merely an insurant, but a man of a new type—armed as no other citizen of any other country was ever armed.

What other business or profession has for three-quarters of a century driven home, singly, an idea so vital to the sound development of the nation? Other forces have worked, it is true, but none so uniquely, and none has stuck

so close to the real point. Religion worked mightily, but coupled with its exhortations were necessarily the demands of that authority which is inseparable from every form of dogmatic theology. Politics worked, but generally for an appropriation first. Life insurance alone called directly to the man, to that divine something in him which has been struggling upward for thousands of years. Every policy placed made a better citizen; every premium paid was a guarantee of the perpetuity of the Constitution.

Now all the world begins to see the power and the prophecy which inhere in the citizenship of the United States. There was never a citizenship like it. That is a matter of history, a matter of fact. We believe that it is fairly conscious of its might, that it is fearless and yet fair. We know that it responds ultimately to every worthy appeal. We know that it is grim in its hatred of oppression. We are certain that in the end it will—as it always has—cast out false leaders.

If you analyze this citizenship seeking to know its dynamics, seeking to understand why it hates oppression and wants the square deal, why, largely from a moral impulse, it once sent a million men into battle, why it lately won freedom for a fair island and then renounced dominion over it, if you pull it to pieces to learn in what consists that moral and spiritual power which still makes the United States the land of hope for the plain people of all lands,—if you do this, you come in the last analysis to individual self-respect, the nerve centre of civil and religious liberty. At the same time you find yourself at the very sources of life insurance; you have reached its origin and you understand its gospel.

Life insurance did not create the conditions which existed here seventy-five years ago. It had little part in that old-world struggle which is still going on for the rights of the individual. It had no part in the struggle which went

on here for two hundred years. Its time had not come, but its time came. Seventy-five years give us a perspective. Events array themselves in order. Results can be traced to causes. The great fact begins to loom up that at a critical period, when great issues were at stake, life insurance began a propagandism which was as closely related to the salvation of free government as the doctrine of the atonement is to the salvation of men under the dogma of original sin.

American life insurance has fostered and encouraged the religion of self-respect. It has been militant in its methods. It has been as fierce as the Crusaders in its attacks. In its ministrations to the needs of the weak and the defenceless it has been as gentle and as blessed as the dews of heaven. Its creed, your creed, was phrased by Emerson, who was a prophet, in these words:

> "We will work with our own hands,
> we will walk on our own feet,
> we will speak our own minds."

When the upright man, standing upright, was needed, we called to him, called on his soul and all that was within him, and he responded, "Here am I." In this respect the work of life insurance is unique. This is the finest thing it does.

LIFE INSURANCE

THE DISCOVERER AND THE LAWGIVER

AN ADDRESS TO THE INSPECTORS, AGENCY DIRECTORS AND LEADING FIELDMEN OF THE NEW-YORK LIFE INSURANCE COMPANY, HOTEL BON AIR, AUGUSTA, GA., JANUARY 19, 1911

THE greatest discovery made since man began to hunt for truth is man's discovery of himself. The greatest organized institution, helping to expand and extend that discovery and to establish it as a practical fact, is life insurance. A famous novelist once wrote a book around the idea of how not to do it. One of the puzzles in history—when it is reviewed in a large way—is how it happened that man was so long in beginning to discover himself. He looked for relief everywhere but in the right place. He could understand no help that was not external and mysterious. If he was ill, he wanted a miracle performed; if he was hungry, he tried to steal his food from somebody else; if he was numerically weak, he bowed the knee and bent his neck under the dominance of some body or some thing which he thought could bring him protection and safety.

He was especially afraid of death, because life had no meaning. So all kinds of institutions grew up, mostly based on the doctrine that man himself here and now was a worm of the dust, full of iniquity and of no account; possessing the possibilities of great things, good and ill, in an indefinite new world, if only he would act on the theory that he was of no consequence here and accept the doctrine that somebody else possessed all the secrets of this life and of the life to come. He was everlastingly looking for external authority.

He was a member of a clan—of a tribe—and the clan or the tribe was everything and the man was nothing. A member of any other clan or tribe was presumptively an enemy—to be overcome, slaughtered or incorporated into his own tribe. In what we call the civilized world this went on until one tribe ruled the world, and then they deified one man who set his foot on the neck of the whole human race. Because they were looking in the wrong direction for help, they used all the forces of life to uphold the authority of the worst of men until—when the abuse could go no farther because the pyramid was inverted—it toppled over and the Roman Empire went to pieces. If you want to learn the extremes to which this doctrine carried men, to see what sort of men honest men made gods of, read Suetonius' Lives of the Caesars. We see now that what was valuable in that Empire was not the Roman legion but the Roman law—not what was developed from without but what was in man himself and found expression in the law.

After the Roman Empire fell to pieces, man began to develop the idea of nationality. It was just a small, hesitating step in the right direction, and it took a long time fully to establish it. Meanwhile man was groping in the twilight, and the old habits were still strong upon him. He was hunting the Holy Grail, or fighting for the

possession of an empty sepulchre, performing almost inconceivable deeds of heroism and of sacrifice, in order to find the thing which all the while lay within himself. He created the fiction of the divine right of kings and slaughtered millions of his fellows in support of that fiction, when as a matter of fact the only rights that had any existence were his own rights. He developed a multiplicity of faiths and in their names he waged the cruellest and most hideous wars of all time, seeking not to establish his own divinity but to establish the divinity of something exterior to himself.

Nationalities grew up and then proceeded to fight each other. The rights of the individual were again lost sight of. The Nation, under the fetish of patriotism, became once more the external something in which man sought salvation. Governmentally that is the condition which exists to-day. The world from this point of view is little better than an armed camp. About the only consolation to be derived from that aspect is the fact that this program, like all the earlier programs, is running to an extreme where it will necessarily break down. The people can only pay about so much in taxes. There is a limit to the standing armies they can support. There is a limit to the battle-ships they can build. There is a limit to the amount of vital energy that can be drawn from the great productive interests of life to rot on the water and degenerate in military camps.

All these things have arisen from the fact that man has not been looking in the right place for relief. It is possibly, even probably, true that until relatively recent times he had not developed to the point where he could take any other view. It is equally and undeniably true that ambition and the love of power created leaders who deliberately developed the wrong point of view and kept men from looking in the right direction, kept them from

making the great discovery,—that the greatest thing in the world is man himself; that the most valuable thing in the world is man himself; that the most powerful thing in the world is man himself; that the divine thing which gives the world and the universe a meaning is again man himself.

Man's discovery of man is the greatest thing that ever happened; but no great part of the world yet knows that such a discovery has been made or what the discovery means. Columbus discovered America in 1492. Few people realize that for four hundred years before he discovered America there were people enough in Greenland so that the Catholic Church had a bishop there and naturally churches of some importance, and that these people were more or less in communication with the continent of North America. The first discovery made no impression. The discovery of America by Columbus made no impression for more than a century. It was nearly one hundred and thirty years after Columbus sailed before a successful colony was planted in Virginia and before the Pilgrims landed at Plymouth. Europe was too busy fighting to uphold this government or that religion. Centuries after Columbus landed at San Salvador prizes were offered in Europe for the best essay showing of what benefit to the world the discovery of America had been. The man who won the prize declared that the discovery of quinine was the only thing that had been of importance. In other words, the Old World had not the faintest conception of what the discovery of America meant. It is probably no exaggeration to say that even the men who drafted the Constitution in 1787 had little conception of what America meant or what their immortal document would do.

The discovery of the law of life insurance was not the only thing that made man discover himself, but it is one

of the greatest things, and the practical application of the law is the greatest force in bringing man to understand himself and his own supreme importance.

The discovery of the law of life insurance was considered of small account at the time. Dr. Halley published the Breslau Table of Mortality in 1693, and it was buried in the collections of the Royal Society of London for nearly eighty years and was itself rediscovered in 1761 by the founders of the *Equitable Society for the Assurance of Life and Survivorship.* Meanwhile governments—those divinely ordained protectors of mankind—some before and some after Halley's discovery—were forbidding insurance upon the lives of men; while even down to our own day theologians have denounced it as betraying a lack of faith in the goodness of God. One highly moral sect of American Christians—the Dunkards—still excommunicates the member who insures his life. On the other hand, it is but fair to say that the discovery was first utilized by the government of Holland in fixing the value of annuities, while in this country the Presbyterian Synods of New York and Pennsylvania established the first successful American life insurance company.

When men discovered that there was a law of death they inevitably discovered the law of life. This was a real revelation. Every sound law is, when discovered, a revelation—if there is a general intelligence to comprehend it and a conscience to use it. The law of life insurance helped man to discover himself because it taught him that, through it, he could not only banish the terrors of life's uncertainty, but by its principle of co-operation he could of himself and by himself create a power that could do without waste what governments taxed him unmercifully to do and then failed to do. It suggested a new patriotism, because it taught him that there was no reason why he should slaughter his fellows in order to make his home

safe. Governments are necessary, but not necessary when they call for such fearful sacrifice. Governments and other institutions have approached the problem from the wrong point. They have assumed that man existed in order to establish them, in some way or other, as divinely appointed. Man is learning that all institutions should exist for the benefit of man, and for any other reason than that they have no cause for existence whatever.

One does not need to look farther back than the present moment to understand how little man appreciates himself and how slightly he understands the significance of certain great laws.

To change the figure of speech—what have we done? We have sailed in a new Mayflower. We have landed in a new world, and created a few struggling colonies, but we have no adequate conception of what human life means and what human life can do when it knows itself and understands its power and its divinity; little more conception than the Pilgrim Fathers or the leaders of Massachusetts Bay and Salem had of what man would do in matters of government and human freedom in the Western Continent. But we have done something. We have sailed away from the land of false doctrine, of war, of institutions which can last only as long as men fight each other. We have landed in a country where we have discovered and established the law of co-operation and have adopted a constitution under which every vigorous life in facing its obligations defies the demoralizing menace of mortality. We have penetrated through nationality and all the other institutions which have kept man from discovering himself. We have brought man face to face with himself. We did not first shatter the fiction that some external power could bring man relief; we developed his self-respect, showed him what he could do and how he could do it, and then the fiction fell apart of itself.

We are making new discoveries—discovering new laws every year, and proclaiming new laws every year.

A great statesman and citizen of our country not long since, in discussing problems of currency and finance before an audience of bankers, said that the country ought to have a currency and banking system under which every man could, as he needed, tap the reservoir of the entire public credit to the extent of his individual credit. This seemed to bankers a beautiful theory, very desirable, but practically unattainable. But in life insurance it is a theory absolutely established and efficient. Every policyholder in the present day company holding a level-premium contract, in addition to his indemnity and all the other benefits of his insurance, can at any time draw on the resources of combined millions of men and do it with absolute certainty at any moment, in good times or bad times, to the extent of his individual credit.

Life insurance is not only a discoverer, but a lawgiver. It is always a teacher of law. It is governed by law in its every act. It does not indulge in mysteries. It does not believe in caprice or chance. Its whole program is wholesome, clear-eyed, clean-minded. In this respect, too, it has been one of the most powerful factors in helping man to discover himself. Man was taught for many thousands of years that the moral law came to him from the outside, that it came down mysteriously in various ways until it finally was written in tables of stone on the top of Mt. Sinai. A great part of the intelligent world now takes that story—beautiful as it is and powerful as it has been —for what it is worth. But they know that the moral law rests in a man's own consciousness; that it is born within, and if it is to be effective it must be applied within; that it did not come from without, and when applied from without it is productive of cruelty and hypocrisy.

Perhaps the most striking peculiarity of the law of

mortality is the fact that it reveals nothing concerning the individual when alone. It cannot be selfishly applied. Men had always been seeking some hint or prophecy of how long they would live—how long the individual would live. They studied the stars above; they called spirits from the vasty deep. The answers that came from without invariably brought degradation and reaction. The correct answer finally came from within—from man himself. The form in which it came indicated the use that could be made of it—it must be used co-operatively, unselfishly. It established a new bond of kinship. Here was a physical law of which every man was seen to be a part, a law that called for neither King nor Bishop. It gave a new meaning to the declaration that no man liveth to himself and no man dieth to himself. If there is to be co-operation there must be peace, fairness, confidence, kindness, justice, responsibility, faith, efficiency, and the law which underlies each of these great rules of conduct life insurance teaches constantly.

As soon as the law of mortality was applied by life insurance it became a discoverer in the moral realm also—a discoverer "of the thoughts and intents of the heart" —the very work which the Apostle attributes to the word of God. Life insurance discovers the man who needs it and makes its appeal, not to any outward authority, but to the moral law written in the heart. It thus becomes the moral lawgiver. It says "you ought". There is no voice of authority higher than that. "Am I my brother's keeper?" Not in the sense that I must impose my belief and practice upon him and persecute him if he does not agree with me. Am I the keeper of those whose support I have undertaken? Most assuredly—to the utmost extent of my ability. That is the answer of every manly man—of every honest heart. But before the discovery of the law of mortality and its application by life insurance,

a man's power to support his family was limited by the length of his life. If life was prematurely cut off, we placed the blame for failure to support the family upon Providence or fate. Life insurance has brought the responsibility back to the man's own door. He *can,* therefore he *ought.* Since life insurance has become the moral lawgiver, Providence has become less inscrutable; fate has become more kindly.

But even in the application of the law of mortality through life insurance men were hampered by old habits of thought, the old ways of looking at things. We made a fetish of what we called standard lives. We carried the Presbyterian doctrine of election into life insurance; those who were—by arbitrary rules—within the charmed circle, were the elect, for whom were reserved all the benefits of life insurance, while the rest were consigned to outer darkness. It is only in recent years that we have discovered that there is a law of life, of hope, of salvation, not for the elect alone, but for the multitude. And here again, history has repeated itself, for in the extension of the benefits of life insurance to so-called impaired lives we have been hampered by the external force of government. But still the work goes on because the law of life insurance is more elastic than the law of the land, and if it cannot be applied in one way it can in another. In discharging its function as a lawgiver life insurance has not forgotten its function as a discoverer.

Civil laws are as various as nationalities. Life insurance laws are the same everywhere. Civil laws halt at the frontier. Beyond that there is the fiction called international law. International law in its last analysis is still based on the doctrine that might is always right. To bring its children into harmony from world's end to world's end life insurance needs no courts of arbitration, no Hague Tribunals. And why? Because it has discovered that men are essen-

tially the same everywhere; because it has discovered that international hatreds are the product of false theories; because naturally and not by grace, men trust each other. Having made these discoveries, it became the lawgiver, civil and moral.

Its first law is co-operation, its second law is justice, its third law is self-respect, and then comes in the law of "you ought" following hard on the heels of "you can". This lifts man's eyes to the contemplation of his own majesty, his own responsibility, his own power.

By its discoveries and by its laws life insurance changes man from the creature to the master, from a means to an end, from a mob to a solid phalanx. It banishes the otherwise constant and demoralizing fear of death and sets men to living

> "As if this flesh which walls our life about were brass impregnable."—*Richard II.*

LIFE INSURANCE AND COMMERCIAL BANKING:

A Parallel and a Contrast

Delivered before the Finance Forum, West Side Y. M. C. A. New York, April 19, 1911

LIFE INSURANCE and banking are not usually considered as being alike or even similar. In fact they are fundamentally much alike, while differing in details and reaching widely-separated fields. They deal with differing phases of human needs, but both deal primarily with the same thing, namely, credit.

Each is evidence of a high state of civilization. Neither has ever flourished except where men believe in the fidelity and justness of their fellows. In Great Britain banking plays the largest part it has ever played upon the world's stage. In the United States life insurance is represented by larger companies and presents larger totals than in any other country. Both are based on real values expanded into prodigious totals by the use of credit.

Banking deals with the products of labor, with created wealth, represented through accepted standards of value and built into a commercial structure so wisely and so strongly that a dollar thus combined with many others does the work of many dollars acting separately.

Life insurance deals with a thing much more valuable than created wealth; it deals with the individual man, who produces all wealth, without whom wealth would have neither existence nor meaning.

Banking makes a dollar do the work of many dollars. Life insurance takes the individual life, which by itself has little more power or usefulness than a hoarded dollar, and by linking it with other individual lives under a fair and definite contract, not only increases its power many fold, but transforms it into a moral and industrial force powerful beyond calculation.

The individual standing by himself as a social being needs credit, in order to perform his proper part in the social program. He may also need credit at the bank, credit as against what he owns, but he always needs credit facing the obligations of life, and the coming of that mystery which we call death. Standing by himself, liable to die to-morrow and just as liable to live to old age, man is very like coin-money. Coin-money is the only real money. The individual is the only real wealth.

But the business of the world cannot be done by using coin-money alone, and the individual, menaced by the uncertain duration of life, cannot discharge his social obligations without the aid of some device which will capitalize his future earning power.

It was a great achievement—after a man had a hard-earned dollar in hand—for him to deposit that dollar with some one else and put it to work for other men, at some risk, as well as with some decided advantages to himself. This was the basis of commercial banking. It was a greater

achievement to get the individual to use another dollar as a means of securing another sort of credit, representing what he could produce if he lived, but could not provide if he prematurely died. This was the basis of the great structure we call life insurance.

The distance backward from our existing systems of banking and commerce to that point where business was limited to barter, or even to a time when it was limited to an actual exchange for coin-money, is so great that when we consider it we realize not only how great the advance is, but how great the service is which banking has rendered.

The distance backward—measured in years—from modern life insurance to the days when the individual faced his obligations in life with no sure resource against what men call fate, is not far, but sociologically it marks a greater advance than do the developments of banking.

The various services performed by commercial banking, through loans and discounts and purchases of commercial paper are all kindred and the purchase of commercial paper may be used as a comprehensive illustration of that service. Individuals, partnerships and corporations go to the bank and say, "Here is our promise to pay $50,000 in six months. We want the money now. What will it cost us, what must we pay in order to get the money or credit immediately?" However good the sellers' credit may be, they must pay a certain rate if they dispose of their paper—more or less according to their rating—but they must pay.

In life insurance the individual goes to that modern institution called the life insurance company, and says, "My obligations to my family and to society, so far as mere property or money can express them, amount to $50,000. If I live, I can meet them; but I may not live. If I die, my obligations will be protested. What will you charge me now and each year hereafter and guarantee the

payment of that $50,000 if my obligations should mature through my premature death or at a specified time?"

The contract is issued at 2 or 3 or 4 or 5 or even a higher per cent., according as age or health or questions of morals or plan desired increases or decreases his rating and the necessary cost. He pays about the same per cent. for this contract (unless it contains endowment provisions) that he does to get his paper discounted. If young and sound physically and morally, he pays less.

A man buys an addition to his bank account when he "sells" his obligation: he buys an addition to his social resources when he secures a life insurance contract. The two transactions are almost identical in principle. From this point on, however, commercial banking and life insurance diverge. The differences are striking. The money used in banking must be liquid, because the dollar deposited in ordinary banking is subject to check at all times, and has to do much work, has in effect to be in many different places at the same time. When a man gets credit against the contingency of death, and does it with enough of his fellows to make an average, the money held to meet those credits at maturity differs from the money used in banking in that it does not need to be liquid. The insurance reserve, at an assumed rate of interest, is readily ascertainable, mathematically exact, and usually fixed by law. The banking reserve is more or less a guess, is not always fixed by law, and when so fixed can never legally be invested at all. The insurance reserve may be and generally is put into long time securities, securities forbidden in part even to that portion of bank deposits which may be invested.

Just at this point we begin to observe by contrast with banking the peculiar service which life insurance renders. Banking provides a common depository for cash otherwise unrelated and inefficient, a plan by which that money becomes in effect multiplied many times. It also provides a

medium and a system of exchange. But commercial banking offers no sound, compelling, sociological reason why great sums should be saved and put into enterprises of the utmost importance to general society. Its appeal is purely commercial. It strikes no moral note except that of business and strict fidelity in business. Life insurance presents a different and a larger program. Its appeal is not commercial, but social. Its purpose is moral. Its impulse is a sense of obligation. It completely reverses the usual methods of social development. The usual method is to create a huge debt for future generations to pay. The six months' note discounted at the bank opened the door to a world into which banking could not go very far. The six months was extended to a period of years, especially in the matter of municipal obligations, and the note was made the obligation of the people. The sum received was spent primarily for the benefit of the present generation, and was made into a debt-burden on future generations,—a debt now of startling proportions. But when the transaction began to take that form and to include in addition the obligations of great private corporations, the banks could act only as agents; they could not put their deposit funds into such securities, and outside buyers must be had or this program of industrial and civic development and comfort must be curtailed or abandoned.

The credit for which a man asks when he insures his life is of a different sort from the credit he gets at his bank. Primarily it is entirely unselfish; it creates no debt for future generations to pay. It is a real credit, for the benefit of, and in no way a burden on, future generations. But as soon as a few hundred thousand people unite in this sort of social enterprise, the credits begin to assume colossal proportions. It takes billions to express the social credits standing now on the books of the American companies alone. The small yearly uniform payments required in-

creased at an assumed rate of interest, will ultimately meet all obligations, as, under the laws of mortality, they fall due. But as mortality is low at younger and higher at older ages, maturities are deferred. This results necessarily in large accumulations of money which, unlike money deposited in commercial banks, can be put into long-time securities. In a growing company the current income will always more than meet current maturities. If the business is large, the money of necessity runs into very large sums. This money must be invested and kept invested. The result is that the investment demands of life insurance have become one of the great facts on which sound enterprises of many kinds have come to rely. It has provided the securities market which municipal and industrial development demanded. No other single enterprise absorbs so many long-time securities each year—not even the savings banks.

Incidentally, life insurance has developed a practice which it seems to me contains the germ at least of an idea which may be utilized in future efforts to evolve a sane and sound banking and currency system in this country. Some years ago our life companies began to loan their own members sums which were limited by the amount of reserve held against a man's individual contract. The insured could not and cannot check against all he has paid in, but he has a certain cash credit, in addition to, or in anticipation of, what I have called his social credit, and that cash credit he can draw on at any moment. This we call policy loans. The sum available in this country is large—a single New York City company carried over $100,000,000 of these credits in its assets at the close of 1910, representing advances to, or cash drawn by, its members. The members are expected to repay these advances, but many never do; they are duly deducted when the contract is surrendered or when it matures. But a system under which money can be used to cover man's obligations as a social

being and yet to a large and fixed degree be liquid at all times and under all conditions, has features which look desirable when we consider what happens under our banking and currency system when panic seizes the people. The relief which this supply of quick cash brings now in panic times arises in part from the fact that people know they can't ask for all they have paid in, as they could if the money was in bank, and yet a portion, sufficient for relief, is available. Moreover the securities which represent the great bulk of the money held by the insurance companies are not sacrificed at such times, a condition which would inevitably obtain if the securities were in the hands of the individual insured. For example, in 1907 the people of this country owned securities, held by life insurance companies, running in value into billions. They all needed money. If the securities had been individually held, they would have been thrown upon the market, sold at a heavy sacrifice, and panic would have been added to panic.

Life insurance in fact constantly and successfully faces panic conditions. Death is panic: it comes swiftly, silently, just when and where it might least be expected. Life insurance meets its demands without delay and without loss. Life insurance does more than that. Death usually demands and life insurance pays not merely the sum deposited but a sum largely in excess of that. Moreover the social efficiency of these payments is unmatched by banking or any other instrumentality of society. If the wheat grown on our one-time prairies and in Western Canada could by some magic, without the delay and expense of transportation, be placed immediately before the hungry millions of Europe, that achievement would be kindred in its social effects to the every day operations of life insurance.

Consider then a few of the things that life insurance does:

1st.—It answers the question whether or not a man will live long enough to provide for his family. To the extent that money can represent a man's productive power, it doesn't matter when the properly insured man dies.

2d.—It cultivates aggressively the principles of self-respect and individual responsibility, which are the very essence of our civilization.

3d.—It prevents the social defaults which premature death otherwise brings—defaults which are quite as disastrous to society and frequently as dishonorable as those which occur in banking and general business.

4th.—It meets, as nothing else does or can, the demands for capital of a society rapidly developing and offering the faith and earning power of unborn generations as security for money which must be spent now.

5th.—It is a banker for millions of people—a banker who cannot be ruined through panic, but who allows every depositor to draw on him at any time to the extent of his cash credit.

6th.—It joins business to a constructive sociology; it puts the man of small means into touch with a statesmanlike plan; it enters the realms of imagination and takes us at least to the threshold of a new social order.

Life insurance is as distinctively American as sound banking is English. England has long been the banking centre of the world because her people long ago learned how to use their money and credit in the world's trade. They centralized it; they did not scatter it nor hoard it. By this process they made what they had enormously active and enormously effective. This helped powerfully to make

England rich. Her greatest asset to-day is the confidence which men of every other nation have in her commercial integrity and in the adequacy and reliability of her banking system.

We have never seemed able in banking to take the best the world offered and then improve on it. It is not a flattering commentary on the progress of representative government that in banking we should to-day be behind most of the great countries of the world and in the opinion of many actually less efficient than we were seventy-five years ago. That our banking and currency systems breed panics instead of preventing them the Secretary of the Treasury says clearly, and the remark is passed over with a shrug of the shoulders as being something perfectly obvious and apparently beyond remedy. On the other hand, while our genius for banking may be at fault, something in our make-up responded strikingly to what we may call the life insurance idea. We have had indifferent success in evolving a banking and currency system; we have had unparalleled success in the development of life insurance. What is there in our institutions or in us which explains these contrasting results?

Our whole social structure rests on the assumption that the individual is alive as never before and nowhere else to his obligations as well as to his opportunities. Results warrant us in claiming that this assumption is substantially sound, however much we may at times deplore certain phases of our politics. Our individual citizen stands for all that the individual ever stood for in any form of democratic or representative government, and he has a conception of himself, an estimate of his own powers, which no other citizen ever had. Acquiring this frame of mind was a process of such controlling power that our citizen incidentally unlearned or forgot some of the necessary lessons of obedience to authority. These lessons we must relearn.

Appealing to these qualities, to individual power and personal responsibility, life insurance went directly to the core of the problem. It emphasized individuality. It cultivated and encouraged self-respect. This explains the colossal structure of American Life Insurance. The plan included the welfare of general humanity, but that was not the plea that went home, the plea that went home was the appeal to the citizen's individuality.

Now we begin to understand that what seemed at first solely an appeal to individualism emanated from a plan which involved a perfect, a stupendous scheme of co-operation and centralization.

But here we should distinguish between voluntary co-operation—the co-operation of life insurance—and involuntary co-operation. The latter is illustrated in the Bank guarantee laws of Oklahoma, which, with a strange disregard for the XIV amendment to the Constitution, the Supreme Court has lately upheld. If the Oklahoma laws are in harmony with the doctrine that property may not be taken without due process of law, then I see no reason why New York State may not assess all its life companies to make good the inefficiency or crookedness of some companies which may be or may become insolvent.

The co-operation of life insurance is voluntary, but it is more than that. It involves a clear statement of all the equities. It leaves nothing to caprice. It does not agree to take a dollar, invest seventy-five cents of it, and then undertake to pay the entire dollar on demand. It puts behind its promise to pay an exact, strongly centralized plan.

The key-word which explains the success of England's banking system is centralization. The key-word which describes the relative failure of our banking and currency system is decentralization. We tried the central bank idea twice, the second time really with very great success. The

Second United States Bank was finally wiped out of existence by Andrew Jackson, representing a recrudescence of the confederation as opposed to the national idea, and justified in his action to some extent by the fact that politics had crept into the management of the bank. From 1836 to the Civil War we struggled along with no national system whatever. Then, under the stress of a condition which involved the existence of the nation itself, the Supreme Court spelled out of that clause in the Constitution which authorizes the Federal Government to borrow money, the right to establish a system of national banks and a national bank currency. But even then the Federal Government did not dare return to the idea of a real central bank. Decentralization asserted itself again, and the national banking reserves were scattered amongst the thousands of institutions which make up the national banking system. This is the system which the Secretary of the Treasury says breeds panics. Since 1907 there has been a stronger and more intelligent demand for some remedy. This demand has finally taken form in a suggested plan for monetary legislation lately submitted to the National Monetary Commission by Hon. Nelson W. Aldrich. Mr. Aldrich's plan has already met with wide-spread approval. If adopted it would introduce into our banking and currency system the very principles which explain the success of the English system and the principles which explain the success of American life insurance, namely, voluntary co-operation and centralization of resources. Whether public opinion is prepared now to go as far as the Aldrich plan leads or not, no one can clearly say, but that it must go that far if we are to have a banking and currency system that doesn't discredit our intelligence and capacity to do business is a certainty.

American life insurance for long periods in its development did not meet the disintegrating and decentralizing

forces which have kept us from permanently adhering to any adequate banking and currency plan. What American banking has had to struggle with from the beginning life insurance is beginning to struggle with now. Through an investigation made in 1905 in this State (resulting in a code of laws many of which were excellent and some of which were so bad as to be a disgrace to any civilized State), the public was brought face to face with the size of certain American institutions. Some of the laws, drafted at the close of the investigation referred to, by a distinguished citizen of this State reflected the idea that such institutions were a public menace from the sheer fact of their size and that on account of their size men sufficiently honest and capable could not be found to manage them.

The reaction spread. It took on two forms. The size and the success of these institutions, which the general public had not before appreciated, led men in the central West and South to conclude that here was a ready and certain way of making money. They proceeded to organize life insurance companies, and hundreds have sprung into existence outside the State of New York within the last six years. Of what the harvest will be I have a very definite idea, but it will hardly be profitable to forecast that at the present time. The reaction took another form in that it stirred up the various States of the United States to an exercise of the sovereignty which, so far as insurance is concerned, the Supreme Court of the United States lodged with each State by its declaration, in the case of Paul vs. Virginia, decided in 1869, that interstate insurance is not interstate commerce. The result is that all insurance is now confronted with the identical political sentiment which destroyed the central bank and turned the banking and currency system over to the States in 1836, which halted the Federal Government short of a program similar to that now proposed by Mr. Aldrich, when it established a

national currency and national banks, during the Civil War.

One of the most amazing things in our financial history is the popular prejudice against the only financial systems that ever made any approach to adequacy—the two systems that rendered the country the largest service. The first United States bank was a potent factor in rescuing the country from bankruptcy, the second was equally potent in rescuing it from financial chaos; both did much to supply the country with a uniform currency; yet the popular prejudice against a United States bank is still one of the factors to be reckoned with in any plan for reforming our banking system. Senator Aldrich's plan calls for "The Reserve Association of America", for one reason because the name Central Bank would be like a red rag to all the political bulls. It is a prejudice bigoted, unreasoning, apparently invincible. Because Andrew Jackson thought the old United States Bank unconstitutional—although it was twice established by those who made the Constitution —is the end of argument for many people. The winding up of both of the United States banks was followed by financial troubles that testified to their value.

In so far as our present system is successful it is national; it breeds panics because it is not wholly national and not centralized. It furnished a market at the outset for a hundred million dollars in government bonds and gave the country a uniform currency under which no loss could come to the bill holder; yet it was long the object of attack, and but for the fact that it was a war measure and was tied up with the national debt at the close of the war, and that the war gave a tremendous impetus to the national idea,—it would not have survived. It was no better in some respects than the best State systems that preceded it, but being national, it produced uniformity and drove out all inferior systems. There was prejudice against a United

States bank because it represented national control of the currency rather than State control; and there was a fear that it would become too great and somehow or other oppress the people. There is still a prejudice against a central bank upon the same grounds. It seems rather strange that a people who are always boasting of big things and doing big things, should yet be afraid of big things.

Life insurance began and has continued under State auspices. It has flourished in the same centres in which State banking flourished. In other centres it has for the most part languished or run a short and unsuccessful course; not always because of unwise laws, but usually because of lack of enterprise or disregard of wise methods —in a way somewhat akin to the banking operations of ante-bellum times. But in 1905 the contracts of the great companies of New York and New England were everywhere current. Some of these companies had grown to colossal proportions. Not a company had failed—not one was in danger of failing. Their faults were those which always accompany great successes. With the exposure of these faults came rage—came fear—came the frenzy of destruction. If any one doubts that we are afraid of big things—especially of big successes—let him contrast the public temper respecting life insurance in 1905-10 when no company attacked failed, with that of 1871-80, when over thirty companies failed with an aggregate loss of over thirty million dollars. We endure the great faults of small successes with equanimity; but the small faults of great successes arouse deep-seated prejudice and resentment.

It is only by endless discussion and often by bitter experience, that men individually or socially arrive at wise and just conclusions. Wendell Phillips said, "Trust the people with the greatest questions—the discussion of them will finally supply the education necessary to understand

them and the wisdom to solve them." Discussion has already done its work.

Some of the most unreasonable and repressive features of the New York insurance laws of 1906 have already been modified; in other States the epidemic of repression under the name of regulation is in various stages of development.

Under the theory that interstate insurance is not interstate commerce, the wonder is that American life insurance has grown to its present proportions. That a business which is interstate in its nature could succeed when really supervised by from thirty to forty-eight sovereign masters was, of course, on the face of it utterly improbable. That it has succeeded is attributable to the fact that the States have not supervised. Now they are beginning to do so. Life insurance, in other words, is now face to face with the difficulties from which banking partially emerged in 1864, from which, in the light of Mr. Aldrich's recommendation, it is perhaps about to emerge wholly. If the Supreme Court of the United States should change its mind and declare that interstate insurance is interstate commerce, it would not be the first time the Court has changed its mind, and it would have stronger ground from which to argue than it had when it spelled out of the power in the Constitution which authorizes the Federal Government to borrow money, the right to establish national banks and a national currency. Public necessity gave us such national banking laws as we have and public necessity will ultimately put the demands of interstate insurance up to the Court so strongly that there can be no question what its final verdict will be. The opportunities for public service that lie in life insurance are so great that that alone, it seems to me, will go far toward compelling such a conclusion, because, vast as it is, life insurance has only made a beginning.

That no company in New York City, not industrial, has

in all the world as many people insured as live in the Borough of Brooklyn alone gives some idea of how little has yet been done. That our largest company has in assets a sum only about equal to that which New York City now owes should reassure certain statesmen. If we can administer all the affairs which go to create the prodigious debts of the States, the municipalities and the industries of the nation, we ought to be able to take care of the securities which represent those debts, especially as they come to be owned by the very people for whose benefit, in theory at least, some of these debts were created. Any other assumption is to declare that general civic bankruptcy is upon us.

What is the present worth of all the productive power of all the men and women in the United States? The answer to that question might stagger any imagination. What is the present worth of a fraction of that power? The answer to that would also reach prodigious totals. Life insurance totals will probably never equal any considerable fraction of that value. But unless it is harried and taxed to death by the fiction that we are forty-eight nations instead of one—a fiction which is not a fiction at all but a practical fact,—it will become a factor in American civilization as much greater than banking as a man is greater than the wealth he produces.

LIFE INSURANCE AND JUSTICE

AN ADDRESS BEFORE THE TWENTY-SECOND SESSION OF THE TRANS-MISSISSIPPI COMMERCIAL CONGRESS, KANSAS CITY, MISSOURI, NOVEMBER, 1911.

A DEMAND for justice, persistent, insistent, almost intuitive, marks every page of human history.

This demand has overturned dynasties, disrupted Churches, ruined Republics, beheaded Kings. We know that the square deal is not easily secured in this busy age and apparently it never has been easy to get in any age.

Justice is ostensibly the basis of all ethical codes, the object of all legal procedure, the controlling purpose which underlies all civil government. However widely men may differ as to what justice requires—however little they may really desire that justice be done—such homage is paid to the word—to the idea of justice—that no one ventures openly to advocate injustice.

Necessity early drove men to combine. They had all kinds of enemies and only by combining against them could they survive. Combination meant organization, meant the adoption of rules under which the social and civil game was to be played. The adoption of rules meant the delegation,

to some extent, to his associates of what had previously been a man's sole prerogative. He got protection and he gave up some part of that perfect freedom which he had when he roamed the earth without association with others—if indeed he ever did that.

The larger the society into which man entered the more complex the organization. The more complex the organization the more a man got and the more of so-called individual liberty he gave up.

In so far as individual liberty was surrendered it became the subject of public definition and public administration. This men were slow to recognize. They quickly took the protection which organized society brought to them, the greater safety, the larger opportunity, the better conditions of life, but they were slow to recognize that what they had before been able to do as individuals they could no longer do. This immediately gave rise to conflicts of opinion, conflicts of interest; and under this plan of organization, the problem immediately became and remains—JUSTICE—how to give it and how to get it.

The problem presents two phases:

The first—conflicts arising within the artificial structure of society itself;

The second—conflicts between men and the forces of nature, conflicts which for lack of a better name we call "the struggle for existence".

And first as to conflicts between men,—conflicts for more or less of personal rights, for more or less of property rights—the greed of the strong, the sufferings of the weak, the slaughter of the inefficient. All these and more are merely problems of how to get justice, how to give it, in the social order.

The simplest forms of associated life develop certain antagonisms and opposing interests which are not easily reconciled. Clamor follows. We cannot dismiss this clamor

as the empty complaint of selfish individuals and cliques. The outcome of the struggle—poverty, hardship and stunted lives—show clearly enough that the organization has been very imperfect, that there has been great injustice somewhere.

The world generally has cast out Kings, not so much because the doctrine of Divine Right has been repudiated as because Kings frequently became tyrants and dispensed tyranny and not justice. Whenever a King was great enough to dispense justice, his own people rarely disturbed him. Such rulers have been cast out by rival Kings or by the Church, but not by the people. The people are willing to a large degree to be ruled; they can't themselves actually rule. It takes so much time and strength to make a living, to do the undramatic and necessary work of each recurring day, that there is neither time nor strength left for ruling. But man has found out that when rulers represent him he comes nearer to attaining justice than he did when they were supposed to represent God. So he has gradually adopted representative forms of government, learning meantime to do justice, to control himself and in that way to lighten the burdens of those who govern.

But he is still a long way from securing justice through government.

A world view reveals a shocking condition in this respect. The attitude of nations toward each other is less frankly hostile than in the earlier days, but the hostility is now backed up with implements of destruction so frightful in their power that the barbarism which triumphed over Rome was in comparison a humane and civilized condition. And for it all the people pay. But if justice ruled it would all disappear.

Limiting our view to the status of individual nations and studying how national armaments are maintained,—we get another view of injustice. These establishments are main-

tained by taxation, and no just system of taxation has ever been devised. Not only these national establishments but all the vast machinery of national and state life are sustained by taxation. And when we look into systems of taxation we wonder at the patience and long-suffering of men.

The study of no single phase of society will bring such conviction of its general inefficiency and injustice as a study of taxation. The general property tax is theoretically sound, but practically oppressive and inefficient. The tax on real estate—which is a part of the general property tax—penalizes the progressive man and rewards the parasite who gets in the road of progress and gets rich out of the unearned increment. The income tax is theoretically perfect, but practically unfair and unjust: first, because, as applied, it always sets class against class; and, second, because it is the most difficult of all taxes fairly to assess and collect. Because of the inquisitorial methods necessary in its assessment it is cordially hated wherever it exists and is to the great school of liars what the Frigid Zone is to certain migratory birds—their natural breeding ground. The excise tax is virtually either an income tax, or a tax upon business activity without reference to profits. The tariff tax takes from the consumer vastly more than it gives the government, and where the balance shall go is at the bottom of all tariff struggles.

The collateral inheritance tax, otherwise known as death duties, may have some justification, but on its face it is cowardly and provokes radical action because of its cowardly nature.

We charge a man with the duty of establishing a home, of making provision for his dependents, in order to forward national development and protect the State, and when he dies and can no longer defend himself, we take even from those who are of his own blood a percentage so

large that the New York Legislature, driven by public opinion, recently reversed its earlier action,—taken at the instance of a radical Governor,—and re-wrote a law under which an estate, after satisfying the demands of New York and other States, might not only have been greatly depleted but substantially destroyed.

The extreme features of some of these laws represent the same statesmanship which taxes the premiums of life insurance companies. The State needs the money; it is easy to get, and there is no such thing as a State conscience which may rebel because the dead or the defenseless are wronged.

And what shall we say of the effect of religion in securing the reign of justice on the earth? One hesitates to speak in other than terms of praise of a subject that deals with what is most sacred to the human heart; and yet it must be confessed that the principle of exclusion which runs through all the great religions has been at the root of the greatest antagonisms and the gravest injustices. The claim to superiority might have safely been left to be vindicated by experience, but when men claimed to be the sole recipients of a divine revelation and the sole repositories of divine truth, they naturally became proselyters, and when they attained power they just as naturally became persecutors. No other subject has divided men more radically; none has been the cause of deeper animosities; in no conflicts have greater cruelty and injustice been perpetrated. Religion is still a source of injustice wherever there is a church established by law. In this particular—perfect religious liberty—we have unquestionably advanced so far that we may fairly be said to have outstripped the rest of the world.

Again take the processes of law. Look at the operation of that part of government which is devoted especially to securing justice—the Courts. Have you ever been a litigant? Have you ever sat on a petit jury? or on a grand

jury? What impression have any or all of these experiences left on your mind? How often have you had justice when a litigant? What kind of deliberation did you observe in the workings of any jury to which you have belonged?

Law is not a science, not an end, but a means to an end, and that end is justice. But with us law has become an institution, and when any portion of organized society becomes institutional it is likely to become archaic; when it becomes archaic it becomes reactionary. We are faced with that condition now.

Have you seen business genius and efficiency develop to such a degree that it made the United States the admiration and wonder of the world? And have you seen that splendid structure riddled by the bullets of legal uncertainty, fired not only by demagogues but by the government itself? You have seen all that, and to-day American business desperately stricken in the quarrel between the Republican Capulets and the Democratic Montagues, cries, as it staggers and hesitates, "A plague o' both your houses."

You will recall that Mercutio not only denounced both the great quarreling houses of Verona, but expressed the shame he felt because he had been mortally hurt by an unworthy foe through the well-intentioned meddling of a friend. He said: "Zounds! A dog, a rat, a mouse, a cat, to scratch a man to death. A braggart, a rogue, a villain, that fights by the book of arithmetic." His description of how he was done to death sounds like an inspired forecast of how American business was to be scratched to death. His analysis of Tybalt's methods is strongly reminiscent of the mental attitude of the chief law officer of the government who "fights by the book of arithmetic".

The assault on business really began six years ago with the assault on life insurance. Politicians then learned that sensationalism was politically profitable. They learned

that a path to preferment and fame lay open before the man who fed sensationalism while properly attacking faults. They learned that every established principal of economics, every sound doctrine in legislation, could be violated and the violation counted a distinction, if such action seemed to be a part of an assault on size and success and the evils which usually go with great successes. No declaration yet made in any of the assaults on business has been economically so reactionary, so radical, as the flat declarations made, in February, 1906, by the Committee of the New York Legislature, known as the Armstrong Committee. They declared that certain institutions were bad because they were great, and they wrote that doctrine into law. They declared that beneficence, grown large, had become a public menace, and they wrote that doctrine into law. They declared that the limits of human integrity and capacity had been reached in these institutions, and they wrote that doctrine into law. They declared that the State must now protect the public, not alone by control, by publicity and by strict accountability, but by arbitrary limitations which were, by their very nature. destructive, and they wrote that doctrine into law.

The life companies of the country—some of them guilty of serious errors, properly chargeable with gross derelictions—were nevertheless so strong because of the principles which underlie them and because of the essential integrity of their management, that they rallied from the assault and have with general success readjusted themselves to meet the demands of the new laws—some of which are most excellent, some a disgrace to a self-governing country.

But that was only a beginning—only a prophecy. The politician—whose chief ambition is not construction, but putting the other fellow in a hole—saw his opportunity. General business was—with life insurance—

guilty of great success; it was guilty, too, in some particulars, of gross errors—of practices which no man could defend. The opportunity was too fine to let pass. The average statesman saw preferment and glory and fame in a bitter assault. That general business is a delicate, sensitive structure, unable to stand long under the strain of suspicion and uncertainty meant nothing to him. He knew from what he had already seen that the attack would be popular; it might help his party; it would almost certainly help him; there was, moreover, a rare opportunity in the provisions of a sleeping, archaic law—the meaning of which no one then knew, the full meaning of which no one knows now.

The attack was made. It has been kept up. And now we are getting the answer. The law failed to prevent widespread injustice while the great business combinations were being organized and built up. Now, after the injustice has been done, and the great organizations have developed the efficiency and economy which are necessary to meet world-wide competition, the law inflicts widespread injustice in seeking to tear these combinations to pieces.

If it be true that for many years our nursery of statesmen was what is vaguely known as "Wall Street" and its influences, it is equally true that recently our nursery of statesmen has been the office of the prosecuting attorney and the special inquisitor. Both types are deadly; both types spell injustice. Unless I misread the indicated purposes of the people, neither type has any place in the statesmanship of the future.

Isn't it true, generally speaking, that we get in business closer to the square deal than we do in any relation we sustain to organized government, to any demands of society?

One reason for this is that business is not largely

institutional. Its methods are always the product of struggle—struggle with shifting human conditions. It is governed not by constitutional limitations but by contract, and the contracts of business constantly expire or are modified by agreement.

Business represents a bilateral contract. Both parties to a transaction must respond, must get together, or nothing is done. Moreover, there are clearly stated penalties in the contract, which are enforceable, and are enforced, except as the law fails to perform its proper function. Not so in our duties to society or government. In theory our social and civic duties constitute a contract of the same character, and in fact our plan of government cannot achieve any great and lasting success unless they are so regarded. But they are not so regarded by most men. Men dodge their taxes; they neglect their civic obligations; they vote for their own advantage. They do this because they can.

Why shouldn't society and government be conducted as business is conducted? Is it possible to devise a plan under which a neglect of a social or civic duty will be visited with penalties, just as a business lapse is visited with penalties?

Is it possible for free men to deal with each other in social and civic matters as they do in business matters?

Notwithstanding what the makers of text books tell us, government is not a science. It probably never will be. It might be a sensible business system; but it is not yet that in this country.

In Germany municipal government has advanced far toward that ideal. Governing German cities is a profession. The Mayor is chosen as a Railroad President is chosen here, because he has distinguished himself in administration. The Mayor is frequently not a resident of the city whose affairs he is chosen to ad-

minister. This is one of the facts which explain the wonderful cleanliness and order and attractiveness and comfort of the leading cities of that Empire. Here is at least a business-like plan. Politics have no place in it.

But in our civil governments there is no plan approaching in effectiveness the processes of ordinary business. The great weakness of every existing democratic civilization is that under its operation, and chiefly because of its inability to secure justice between man and man, the strong rob the weak and to-day take more than their just share of the products of labor, and to-morrow the weak combine and rob the strong and menace everything with mob-rule through disregard of constitutional limitations.

In contrast with these forms of associated effort—with their endless rivalries, cruelties and injustice, stands a world-wide system which seeks certain definite and tangible ends by methods based on clearly defined principles. The ends are the embodiment of justice, the methods are very largely mathematical demonstrations. Men unite, in this system, upon the basis of what they are, without prejudice, or fear, or adventitious circumstance. We call the system Life Insurance. As a matter of fact, it is a great system of self-government, based on a code of laws into which no Supreme Court, in order to save the situation, will ever be forced to read either absent words or doubtful meanings.

It represents the dawn of race consciousness; and the absence to-day of race consciousness explains a large part of the injustice which marks the operations of nations, of society and of religion.

We are accustomed to speak of the payments to life insurance policy-holders as benefactions—as if they were in no real way a liquidation of debts, but gifts which the

insured might have omitted without blame. The time has now arrived when the discussion should be lifted to a higher level.

Life Insurance is and always must be beneficent—but not in the ordinary meaning of the word. Beneficence usually implies that the benefactor is entirely free to bestow or withhold his benefaction. For example: Here is a wealthy citizen who builds a great hospital, equips it and dedicates it to public use. That's a fine thing to do. But we should hardly be warranted in criticising him if he failed to do it; we couldn't say he had been guilty of an act of injustice. Does life insurance represent that sort of beneficence? May a man fail to insure his life and be equally free from criticism, equally beyond the reach of a charge that he has been guilty of an injustice? By no means. Life insurance is the sole means by which the average man, as a member of the community, may be just to his family and to society. In other words, the average man cannot refuse or neglect to insure his life without being guilty of an affirmative act of injustice. Life insurance in short is a device by which two defects in the social order—each productive of grave injustices—are remedied. The social order does not enforce proper penalties; life insurance must and does. In the social order the only method of capitalizing a man's future earning power (and his future earning power is the average man's sole asset) is by the use of credit. Credit is limited and rendered unstable by the constant menace of death. Life insurance broadens credit by the substantial elimination of this menace. It puts behind the frailty of men standing alone the immeasurable strength of men standing together. As a result, there are no antagonisms, no struggles, when men are associated in this way. Their interests are mutual—as they are

theoretically in general society—and they are bound—as they are not in the social order—to do exact justice and to receive exact justice. All inequalities are adjusted—in a degree that obtains under no other form of association—in the contracts under which they are insured. All contingencies of continuance and withdrawal are provided for in advance, upon the basis of justice to all and special favor to none. When death ends the contract there are, indeed, varying returns upon the money paid in, but these varying returns meet corresponding deficits caused by the event of death—they prevent corresponding degrees of injustice which would otherwise be inflicted.

And this brings us to the second phase of the problem: the conflict between men and the forces of nature.

The injustices of society result largely from the fear of death, from dread of that grim visitor who may call on us at any moment. This fear drives the noblest of human impulses,—love of children, love of wife, love of home — into violent action. To protect his own a man will rob his neighbor; to defend his children he will offer his all. Remove from him to any extent this haunting fear of death and you will have gone far toward the solution of an elemental question. Governments and civil societies and religions haven't done much practically to banish this fear. Governments have emphasized it by becoming armed camps, by putting all citizens on notice that in its interest every man may have at once to march out to slaughter other men or be themselves slaughtered.

Many religions still insist that men will be judged in the world to come according to belief rather than according to character—according to rites and ceremonies and the acts of others on their behalf rather than according to what they themselves have done; and they have cast around the natural fear of death the lurid and awful

shadows of a world where suffering is not even mitigated by hope.

Into all this mephitic atmosphere the Plan of Life Insurance comes and clears it as a bolt of lightning shot through a lowering cloud clears the sky. When the bolt clears the air a number of other things happen: it rains, and then the sun comes out and the birds begin to sing.

When men so dreadfully feared death and had no recourse they rebelled or they lied or they stole, not because they wanted to but because they knew no other way to meet the injustice which seemed imbedded in the very plan of life itself. To put the obligations of life, the material obligations of life upon a man and then set death on his track—death which might at any moment rob him of the one thing he needed—namely, time—was intuitively felt to be cruel and unfair. Treat a man unfairly and he is at once a potential rebel. Plant fear in his heart and you make him cruel and cowardly. Give him a chance and a square deal, give him justice and he is loyal at once. Banish fear and you recreate him.

Life insurance is the square deal. It banishes this fear. What wonder then that even in the presence of that great mystery—death—the selfishness and clamor of men are hushed, as they take their places in a system which equalizes burdens and benefits, fate and fortune, and secures justice and equity when all other systems fail!

Life insurance reveals the vast possibilities of scientific co-operation. Scientific co-operation does not banish competition; it does banish what Tennyson calls the "red tooth and claw". Neither does it run into the demoralizing weaknesses of charity, nor the vagaries of socialism. To the doctrine of "social ownership and control of all means of production, distribution and exchange", the Socialistic platform, it is entirely hostile.

It is a working plan of self-government, at once scientific, humane and just. Applying the principle to civic problems, isn't it conceivable that every citizen on reaching maturity and acquiring the right of franchise can be rated, as a citizen, just as the individual is rated when he applies for life insurance? Is there no way of calculating and stating with workable exactness what a man must pay to general society if he is to get certain things in return? And is there no way of stating with equal exactness what a man shall forfeit if he takes social and civic benefits and fails to perform the social and civic duties prescribed? Is a plan of government inconceivable which shall encourage the strong and yet control the greedy, which shall, with exactness measure to a man what he shall ultimately take, and yet put substantially no limit on what he may take if he pays the just price? A plan in which the good order and certainty and justice of business shall be as clearly present as they are now certainly absent?

Life insurance is such a plan. It not only applies these doctrines rigidly to great bodies of men, but so strongly have men responded that the accumulated social and human values now represented by life insurance almost surpass imagination. It is already a series of republics whose dominions are co-extensive with human affection.

Here are no questions of personal rights—all rights are clearly defined and enforced; no question of greed because even the greedy cease their striving when they know that they can gain nothing and are sure they shall lose nothing; no question of unfair taxation; no question of so-called patriotism and military establishments; no question of State Rights; no question of Federal Power. All these questions confront life insurance and attack it, but never from within.

A system thus founded and administered realizes in a greater degree than industrialism or any existing form of civil government or religion, Sydney Smith's noble characterization of justice:

> **"Truth is its handmaid,**
> **freedom is its child,**
> **peace is its companion,**
> **safety walks in its steps,**
> **victory follows in its train."**

OTHER ADDRESSES

1804 — 1904

CENTENNIAL ORATION

DELIVERED AT BURLINGTON, VERMONT. JULY 6, 1904, ON THE OCCASION OF THE ONE HUNDREDTH COMMENCEMENT OF THE UNIVERSITY OF VERMONT.

A RETROSPECT.

IN "As You Like It," *Touchstone*, the cynic, the worldly-wise, asks the simple countryman, *William*, patronizingly, and with something of a sneer, "Wast born i' the forest here?" and *William* answering, and unconsciously expressing at the same time inborn affection for the fields and the Forest of Arden, says: "Aye, sir, I thank God". If to us, children of this Forest of Arden, some *Touchstone* from the larger world should come to-day, full of wise saws and patronage, and ask "Wast born i' Vermont here?" the same answer, breathing the same affection, would come from each as quick and as pat as from *William*, and with more meaning: "Aye, sir, I thank God." Whether we claim fellowship here by birth or blood or training, or by all three, affection is the same. Our affection for every-

thing that bears the sign-manual of the University, our respect for anything that comes out of these green hills, are unreasoning, no doubt, but we love that very unreason and we pity people who have no such heritage. If, therefore, we briefly give this unreason rein, and for a moment lightly follow whithersoever it leads, may we not plead—if justification be sought—that the traditions, the memories, the affections, the customs, the hopes, the fears, and the heroisms centered in these celebrations, once invoked, have cabalistic powers and, in turn, have aroused spirits that are not easily controlled—spirits that bring to our quickened sensibilities, through the dim aisles of tradition or perhaps over the unmeasured seas of heredity and sub-consciousness, the din of battles that reach from Ticonderoga to Gettysburg,—the story of a struggle that began with Daniel C. Saunders in 1800 and will be transmitted by the Class of 1904.

This is our second Jubilee. Fifty years ago the University of Vermont summoned her children home, and with becoming dignity and great pride reviewed the history that had then been made. In glad obedience to a like summons, we are now assembled at the One Hundredth Commencement.

Normally, we are rational men and women,—some of us still young, some of us almost old, but to-day we are all young and, we confess, a little irrational. Age is a matter of the mind, and if we choose to say that we are an hundred years young,—to assume that the fellowship of scholars is like the communion of the Saints,—the century becomes not an expression of distance or a measure of time, but an audience chamber into which the summons of *Alma Mater* has brought every saint, every hero and every scholar, living or dead, who belongs to this Gild.

Our irrationality takes that form and pleases itself

with that conceit. Therefore, while we see and honor the men who represent the organic life of the University and the State, we also see with them another, a larger, a most distinguished company—men of heroic mould, men from our heroic age, men who dared much, suffered much, achieved much; men who, in the perspective of history, loom so large that, seeing them, we are disposed to cry with Donne:

"We are scarce our fathers' shadows, cast at noon."

With the undergraduates we see other young men and women, with faces as eager, in lines of various lengths, but an hundred deep; all the processions of all Commencement Days coalesce; the Class of 1804 marches with the Class of 1904, and is as young.

The life of a century is here and reveals itself with a certainty of touch and a clearness of vision that surpass reality. If I could project upon a screen the pictures which your memories hold, and with them the scenes that this other silent but not unreal company would depict, and move them in panorama before all eyes, they would record the struggles of this College and of the State as they can never be written. That we cannot give them material color and form does not detract at all from their reality. The picture that is so vivid to you, however, is probably beyond the vision of your neighbor. We have all been touched with Hamlet's madness, and see that which arouses our very souls where other eyes see nothing.

In our fanciful audience chamber there are various groups: there are the men of the Revolution and of Vermont's period of independence; the men of the first half-century and of the first jubilee; the men of the last half-century; the men of the present day.

Was there ever another such story as that which tells how the territory between Lake Champlain and the Connecticut River came to be an independent republic

and then a State of the Union? Is there recorded a finer struggle for human freedom? Every State in the Union has an inspiring history, but no other in the entire forty-five has such a history as Vermont.

The men who settled the New Hampshire Grants were first of all pioneers—men of imagination and courage and resources. They may have been in the place of their earlier abode, down in Massachusetts and Connecticut, a bit rebellious, a little hard to manage. I have read something to that effect, but as that charge was justly made against the Puritans themselves it only adds to the interest of whatever our fathers did. They spread out through the forest to the North and toward Lake Champlain, taking title to their lands from Benning Wentworth, of New Hampshire. They had scarcely cleared the forest and built their cabins when the office-holding landgrabbers of New York, an enemy more dangerous than the Indian, descended upon them. They resisted, of course, and their resistance was both effective and picturesque. In the midst of this struggle for their homes came the fight at Lexington and at Concord, following years of more or less open rebellion in the Colonies.

In that hour of confusion and disorganization and doubt, out of the North, from what then seemed almost No-man's Land, came the first clear, aggressive note of defiance and of victory.

Three weeks after the "embattled Farmers" had stood

> "By the rude bridge that arched the flood,
> * * * * * * *
> And fired the shot heard 'round the world"

Ethan Allen and his little band of Green Mountain Boys electrified the Colonies by taking possession of all this frontier in the name of the Continental Congress. Allen claimed that day to hold two commissions, one from Je-

hovah and one from the Continental Congress. Woodrow Wilson says that he held neither. It is certain that he did not hold the latter; but history, more veracious than "A History of the American People," has since made his claim to the former reasonably good. This was the first victory of the Revolution; it was the first aggressive act of war; the first time that Colonists assumed the offensive and attacked the Crown. Senator Hoar in his "Autobiography of Seventy Years" says that John Buttrick's order to fire was given to British subjects, but it was obeyed by American citizens.

The men who crept at daybreak under the walls of Ticonderoga, struck down a British sentinel, demanded that the British colors be lowered, and actually lowered them, demanded and received the surrender of the troops of his Majesty, King George III., were certainly no longer British subjects, neither were they American citizens. They were, as yet, not even Vermonters; they were just rebels without a government and almost without a country. That they were rebels probably disturbed them less than a like status disturbed the Colonists. They were used to it. They had been in open rebellion against New York for years, and Allen and, indeed, most of their distinguished citizens, had been branded as felons by that State.

The Declaration of Independence by the Colonists at Philadelphia in 1776 was followed with a declaration of independence by Vermont, which, in its way, was quite as great. There were thirteen Colonies, the smallest of which was more populous and wealthy than Vermont. The men of Vermont stood alone, without so much as a clear title to their homes, without right to representation in Congress or protection against attack, on the extreme frontier in the very track of invasion; yet they met, declared themselves an independent State and adopted a

fundamental law, which in its sanity, its declaration against slavery, its provision for public education, up to and including the University, is unique and will forever hold an honorable place in the history of the development of nations. On that foundation they organized a Commonwealth which preserved its autonomy for fourteen years.

Bennington, in 1777, where again the men from the Green Mountains bore so distinguished a part, was to the struggling Colonies almost like another Ticonderoga. Indeed, there was no hour in that seven years' fight when Vermont was less desperately involved than the Colonies themselves. Yet, when the war was over, Vermont was denied the fruits of the common victory. She was not only denied the fruits of the victory she had helped to win, but plans were perfected to dispose of her as Europe disposed of Poland. She pleaded long in vain; she sent appeals to Congress, to the people of the United States, and to the Colonies, separately. The people heard and understood her. They were pioneers, too, and they knew for what Vermont was pleading; they knew what it meant to conquer homes in a land "filled with savages, scorpions and beasts of prey", as one of these public appeals put it. When Ira Allen laid the plan and Thomas Chittenden called on the contiguous territory for help, that territory responded with open rebellion against their own States. Here the Founder of this University rendered his greatest service to the State. He drove off the wolves that would have dismembered Vermont; he saved her from the enticing offers of Great Britain, and finally placed her in the galaxy of States.

In scrutinizing, therefore, the figures in the group representing our heroic age, the eye naturally rests first on Ira Allen. We are proud of the other Allens, of the Chittendens, the Warners, the Bakers, the Fays and

the Robinsons, but Ira Allen not only served the State brilliantly—saved the State probably—but he finally put into definite form in this University the ideas of human freedom and higher education which actuated all the men of that time. No college in all the hundreds now existing in the United States sprang from finer seed.

In this audience proper is a little handful of men who attended that first great festival. They saw and talked with the three survivors of the Class of 1804. By touch and sight, therefore, the visible part of this audience has been in direct contact with the Eighteenth Century; with the time of Vermont's admission into the Union; with the period of Vermont's independence; with the date of the College Charter; almost with the date when the idea of this University first found a place in the Constitution of 1777.

To the men who saw it, that first Jubilee is a reality still; to us who did not see it, it is to-day no less a reality. Its spirit is here. The men who made that occasion memorable are here in our larger audience. Let us call some of them forth.

On more than one occasion during that festival, Jacob Collamer presided. Jacob Collamer! A name that suggests the dignity of Jove; a fame of like quality. On the Committee having the celebration in charge was Henry J. Raymond, that brilliant son, whose like, I fear, our half-century cannot show! George Wyllis Benedict was there and made an address. George Wyllis Benedict! who, as a young man, found the University homeless and almost penniless; who, nevertheless, gave a service so fine that it has placed him amongst our Immortals; by his personal service and the service and loyalty of his sons and grandsons he is in every page of our history since 1825. Frederick Billings signed a telegram of congratulation from California to the Committee in charge. Fred-

erick Billings! the great pioneer, the empire builder, the princely benefactor!

Of the leading addresses on that memorable occasion College fame declares that the "Historical Discourse" of Ex-President Wheeler is one of the great documents of the University, and that the Oration by James R. Spalding was one of the finest utterances of philosophical radicalism ever pronounced on any academic occasion.

The students of that day are in our larger audience also—and what men they were! McKendree Petty was then a tutor, having graduated five years before; in him dwelt some of the great qualities of Mark Hopkins. Something of him is in many of us, and for that, as well as our Vermont birthright, we are thankful. Matthew Hale had graduated only three years earlier, and Henry Augustus Pierson Torrey entered College the following Autumn. Early or late, there are no finer names than these, no stronger, no gentler, no wiser men. May I add,—though I am not supposed to speak of the living—that the period also produced Matthew Henry Buckham, John Ellsworth Goodrich, John Heman Converse, and others of like quality.

Other names appear, of such distinction that the celebration seems an event of a quality not likely ever to be surpassed in the history of the University.

The Rev. Jno. Wheeler in his excellent historical address on that occasion dwelt on the danger of frequent changes in the administration of a college. In our first half-century we suffered on that account. But in our second half-century we have been blessed, indeed almost distinguished, by the length of service of certain men, and by an administration which, in some sense, comprehends the entire period.

These names so cover the last fifty years, and have throughout wrought in such harmony that they take on

the force and the majesty of a clear purpose that goes direct toward a goal: Torrey, Petty, Barbour, Perkins, Emerson, Goodrich, Buckham.

Quite two-thirds of our half-century is technically comprehended in the administration which to-day directs the fortunes of the College. From it the greater number of this audience got their training. It began nominally in 1871, but its spirit was in the College during the brilliant administration of President Angell; it was developing during the Civil War; it was at work when Senator Morrill secured for the University a second foundation; indeed, it took its beginning in the heart and character and mind of a student who graduated three years before that first Jubilee. From 1847 to 1904—fifty-seven years—there has been no hour when the University of Vermont has not been the hope, the ambition and, for forty-seven years, the care of Matthew Henry Buckham. I know of no parallel to this length of service in any American college. In addition, apply what test you like to the University to-day; apply the same test to the University as it was in 1854; then measure the advance,—estimate the achievement! In his presence I am not permitted to say what I would, but as I know of no longer, so I am bound to say I know of no finer, service. I know of no broader administration; this has kept the institution modern. I know of no administration with higher ideals; this has kept the institution sound. I know of no serener courage, —courage that has labored on when days were drear and the outlook gloomy.

The administration of President Buckham has secured for the College about all its buildings, substantially all its equipment, and all its permanent funds derived from voluntary contributions. It has brought, not only the usual college course, but the instruction planned by Senator Morrill, close to the people of the State. It has

increased the number of students five fold. It has given, perhaps, the most distinguished example of co-education in higher education. The Medical College, after a period of striking success and steady advancement in its standards, has finally been made a College in the University. All the departments that seem strange and very modern to many of us have grown up within this period, and a course of study determined largely by the students' election has been tested as fully, perhaps, as in any college in the land.

The nearer we get to the present the more effective the administration of the University becomes, and it is no exaggeration to say that the last twenty-five years has seen more accomplished in matters which insure the perpetuity of the University, than was accomplished in the previous seventy-five years.

Men live again in their children. The immortality that comes to men through children is as certain as anything we know. The birth of a butterfly symbolizes the beginning of the life Eternal, but the birth of a child takes Immortality out of the realm of speculation and dogma. Institutions play the same part in the life of ideas, principles and men. The ideas and the men of 1804, the ideas and the men of 1854, are a living force in the University and in us. We are here to acknowledge this and humbly to pledge an honest effort to maintain the standards and the faith of the Fathers. To our Saints and Heroes,—to the men of 1777, of 1791, of 1804, of 1854, we offer the homage which, in the East, has become a religion. We proudly claim from them our blood, our beliefs, our history, our traditions,—even our superstitions. To the little band who were participants in that first Jubilee, who take us by elbow touch to the very birth-hour of the University, we uncover. Across the intervening years, down the long line stretching back

through the century, we hail all others, living or dead, whose virtues are enshrined in this Institution and perpetuated in the good learning and sound manhood of the Nation.

With them we turn our faces toward the future.

A Prospect.

Facing the problems of the hour and of the future, the University of Vermont has points of surpassing strength. She has, first of all, the strength of unselfishness. No college for a century has given, more continuously, to the world and received from outside less in return. It has been the unique mission of this Institution, and of this State, to produce men of unusual moral fibre, endow them here with a higher education, and then send them out to build other commonwealths and found other colleges.

The University has also the strength that comes from the rare quality of the youth who seek her tutelage.

No one has drawn the picture of a Vermont home, from this view-point, better than McLaren in his Story of George Howe. He says:

> "There was just a single ambition in these humble
> "homes, to have one of its members at college, and if
> "Domsie approved a lad, then his brothers and sisters
> "would give their wages, and the family would live on
> "skim milk and oat cake, to let him have his chance."

George Howe has entered this College and graduated from it many times. Such homes are scattered all through these green hills. The spirit of that Scotch family surrounded the early youth of many of the boys and girls who have passed this way on their journey to manhood and womanhood and distinction.

This fact was also in my mind when I said a moment

ago that no college in all the land sprang from finer seed; and I now add, no other college in the land has such material to work on to-day.

The graduate of this University should quickly become a man who is felt. He has a way of looking the world squarely in the eye, and he isn't afraid. He doesn't know how to be afraid—doesn't know enough of the things that make other men timid. He hasn't been spoiled by the pressure of the mob. He doesn't waste time on the artificialities of life, on which most men fritter away their strength; he goes direct to the matter, straight to the heart of accomplishment. He expects to work. He knows how.

The quality of leadership is in the very soul of such boys. They are clear-eyed, deep-chested. They instinctively use the Bismarckian theory of diplomacy and tell the truth. They may have few of the so-called graces of life, they may be to the world a little uncouth at first, but they usually take possession of the world while it is smiling at them. They become leaders by sheer moral force and intellectual integrity.

If the history of her first century is to be in so far repeated, and it probably will be, this University will continue giving, she will continue to send forth to other States a very large part of her own product, a considerable measure of the very substance of the State.

Happily the larger world into which our men must go is calling for them loudly just now. There is work to do. There are new careers waiting; waiting for men who are strong enough to meet extraordinary requirements.

What that work is, what those careers may be, let us consider.

I have said there are new careers. This implies the judgment that the learned professions no longer offer the highest and best opportunity to the scholar.

For to-day, and for as much of the future as may be included in a modest forecast, the largest opportunities in this country are not in the professions and, in my judgment, will not be again soon, if ever. The great opportunities,—the very great careers of the future, are in what, from lack of a better name, I call business.

In society as it existed in the Colonies and for nearly a century later, the place of the professions was unchallenged and unchallengeable; but a change has come, latterly a challenge has gone forth and a trial of strength has been had which, while it has not shown any real degeneration in the professions, has shown the existence of new conditions, offering careers more brilliant, more useful, and more satisfying.

The currents of life have shifted and opportunity, as a result, lies in somewhat strange fields. As life has changed types have changed. Certain qualities that were supposed to be the peculiar property of the professions have strayed and have even wonderfully flourished in new environments.

Iniative and real leadership have decidedly shifted their habitat. The most prophetic as well as powerful and useful type of citizen in our civilization has come to be the man of action, the man of affairs. He is useful because he is close to life as it is, he is powerful because he understands life as it is, he is prophetic because he understands something of life as it is to be. He may or may not have been in the professions earlier. He may or may not have earned a degree. His learning may have come from books or from men. These are minor considerations. His problem is the thing,—and his problem is Life,—teeming, quivering, fighting Life.

The power, responsibility and character of men of this class is now such that college-bred men will seek similar careers hereafter or miss the highest opportunity. Such

careers, moreover, appeal powerfully to the College Ideal, once their real scope is understood.

A distinguished divine in the latter half of the Seventeenth Century, said that in the settlement of the Colonies "God sifted a whole nation that He might send choice grain into His wilderness." If that preacher were alive now and knew the story of the last one hundred years, he would realize that this sifting process was not confined to his time or to one nation. The world has been sifted and is being sifted for "choice grain." We have built a nation by the strangest process ever seen. It began when Vermont pointed the way of empire in 1791. It has gone on until the Thirteen Original States have become forty-five. In the entire process, if we except the happenings in connection with the Mexican War, we can fairly state that no province was ravished,—nothing of the usual program of nations was carried out. State after State was presented to our Republic by the instinct of the nations. The people rose up all over the world; they came to us. We did not go out and conquer them.

It is doubtful if there is anywhere historically a clearer point of departure than that which marks the establishment of the independence of the Thirteen Colonies. This arises not alone from the fact that then a nation was born,—nor from the fact that certain great principles of human freedom laid down in the Declaration of Independence were then embodied in the Constitution, but from a fact which becomes clearer as our development progresses. The millions of the world have come to us not altogether because they believed in our Constitution and in our Institutions, but actuated by one of those mysterious impulses which have, through all time, resulted in wonderful movements amongst the people, without any clear knowledge on their part of why they moved or what they would ultimately achieve. It was such a movement

as, in the development of the earth, submerged continents and raised new ones from the deep. The people wanted land; they wanted to escape certain institutions which crushed and smothered; they wanted freedom to worship God according to the dictates of their own consciences; but down underneath they wanted something more. They wanted a new civilization; they wanted a society based on a readjustment of things, based on such conquest of the forces of nature as would make life worth while, based on the doctrine that men should co-operate with and not slay each other. As a result, about every ship sailing or steaming westward, since Columbus anchored his caravels off San Salvador, has carried a freight of humanity full of rebellion against what was behind,—full of hope as to the new world. An Englishman, writing anonymously, has lately briefed the story and stated the existing condition from the European point of view, as follows:

"For a century past she (America) has drawn to herself, by an irresistible attraction, the boldest, the most masterful, the most practically intelligent of the spirits of Europe; just as by the same law she has repelled the sensitive, the contemplative, and the devout. Unconsciously, by the mere fact of her existence, she has sifted the nations. The children of the spirit have slipped through the iron net of her destinies, but the children of the world she has gathered into her granaries. * * * Over her unencumbered plains the genius of industry ranges unchallenged, naked, unashamed. * * * Endowed above all the nations of the world with intelligence, energy and force,—unhampered by the splendid ruins of the past which, however great, do but encumber in the old world, with fears, hesitations and regrets, the difficult march to the promised land of the future,—combining the magnificent enthusiasm of youth with the wariness of mature years,—animated by a confidence

almost religious in their own destiny, the American people are called upon, it would seem, to determine in a pre-eminent degree, the form that is to be assumed by the society of the future; upon them hangs the fate of the Western World."

I quote this because it is the usual view of the foreign critic, and of some of our own household. But it is neither correct nor fair. It is a criticism with all its flattering admissions planned to lead to a certain conclusion. It is born of a desire to explain away a part of our success, of a purpose to show that we are surely coming to disaster in the further development of the country.

We have sifted the nations, but the sifting has not been that generally claimed and usually admitted. We have done more than attract the bold, the masterful, the practically intelligent. The enormous energy of this country is not so much the result of power assembled, as of power evolved. Humanity has here developed a new capacity for work, new boldness in attempting problems, new ingenuity in utilizing the forces of nature. So swiftly has this gone forward, so great is its present progress that in 1920, statisticians tell us, the mechanical energy of this nation will, in the aggregate, equal the mechanical energy of all Europe at that time, with three-fold our population. In other words, we are within reach of the day when, in the use of what has come to be the most necessary implement of commerce and progress, every American will be the equal of three Europeans.

We have sifted the nations, but with the bold, the masterful and the intelligent we have attracted the gentle, the devout, the contemplative. Indeed, these qualities usually go together, if either is to be of use to the world. Such a segregation as this critic claims might or might not portend trouble for us, but it would leave a lot of

weaklings in Europe—who with all devotion and gentleness would necessarily be impotent.

The bold spirit is usually gentle; the intelligent man is, in its proper sense, devout; the masterful man usually has ideals to the furtherance of which he bends other men's wills.

We have taken fully as much spirituality as force from Europe.

Under a program, which for the first time completely unshackled industry, resulting in unprecedented business activity, the qualities which are supposed to adorn a ripened civilization have not as yet greatly asserted themselves; spiritual evolution has naturally not advanced as rapidly as has the evolution of energy and industry. But the Civil War tells whether sacrifice for principle is still possible, and the Spanish War records an act in defence of the oppressed so quixotic that Europe has only just begun to accept its good faith.

That we should have in us a spirit of sacrifice that does not calculate the cost, and capacity on occasion for almost fanatical devotion to principle, is not strange.

There has been that in all our history which has appealed to the lovers of peace and justice and spiritual liberty even more powerfully than other qualities have appealed to the restless and the adventurous.

The outburst of physical force which followed the complete opportunity presented here has so bewildered and amazed the Old World that it does not see the other side of our development, and does not understand that in the fulness of time the work of the children of the spirit promises to be even more wonderful than the work of the children of the world. By way of forecast let us note in contrast a few familiar conditions.

Europe was never so nearly an armed camp as it is to-day. The conditions which formerly made a man

spend the best years of his life preparing to cut his neighbor's throat still persist. The old institutions still call for a dole of blood. Here civilization is built on lines which utilize every power of society in production; industry is indeed "unashamed", and has taken not merely a new, but the leading place.

We are said to have attracted the masterful and repelled the sensitive. Then it would appear that the masterful love peace and the sensitive desire war; that the bold build up and the devout destroy.

Here is a civilization based on production; there is a society in which about every energy is exhausted in preparation for destruction.

For example, a hundred tons of steel is there cast into a great gun; here it is fashioned into a locomotive. Does the gun represent spirituality and does the locomotive represent only force? Or does the gun represent privilege and a denial of human rights, and the locomotive represent human hope and human comfort and a distinct victory over natural forces that otherwise shrivel the spirit? By some perversion of logic, the instrument of destruction is supposed to be in harmony with the spirit of art, with the love of beauty,—while the engine of production is held to be without appeal to such sentiments.

A billion dollars spent on a standing army, the argument is, does not interfere with the spirit of contemplation; but a billion dollars in an industrial corporation is degrading and kills all spiritual power.

Nothing is clearer than this: Every condition of material superiority here, which Europe is compelled to admit, is equally big with spiritual promise, inherent promise, promise of a higher type than any previous civilization can show. We cannot fairly be charged with any lack of appreciation of our material successes, but we are

fairly chargeable with a lack of appreciation of our spiritual power and possibilities. In these matters we are disposed to feel humble if reference is made to antiquity or to Europe; it is usual for us to become apologetic. This attitude is not only demoralizing but unjust. It is time we stopped apologizing. To the jibe contained in the claim that we have "repelled the sensitive, the contemplative and the devout," we may well answer that if Europe and our forebears generally had done their work better we would have more leisure now for contemplation and devotion. The amazing thing is not that in certain extreme instances they surpass us, but that they have in six thousand years—or is it six million?—done so little that is permanent and worth while, left us so near the earth, so bound to the soil, so much the prey of disease and war and superstition.

Every previous civilization has flowered too soon. That is not a good civilization which creates a Winged Victory or a Venus of Melos and leaves the people generally little better than savages. That is not a good type of civilization which produces wonderful pictures and leaves the masses without opportunity or disposition to understand them.

The writer, whom I have just quoted, after pointing out the material we have in hand and the power it gives us, wonders what the final result will be after this fashion:

"Is that which created the religion, the art, the speculation of the Past; that insatiable hunger for Eternity which * * has luxuriated in the jungle of Hindoo myths, blossomed in the Pantheon of the Greeks, suffered on the cross, perished at the stake, wasted in the cloister and the cell, which has given life to marble, substance to color, structure to fugitive sound, which has fashioned a palace of fire and cloud to inhabit for its desire, and

deemed it, for its beauty, more dear and more real than kingdoms of iron and gold;—is that hunger, in the future as in the past, to harass and hunt us from our styes?"

Here we have the conclusion which follows naturally from the claim that we are lacking in spirituality. Here is the suggestion that a civilization so gross cannot be expected to blossom with religious fervor or the spirit of sacrifice.

Putting aside the question of whether we have attracted spiritual power, or have developed it, what do contrasted conditions again show? Is a "hunger for Eternity" unlikely to flourish in a vast country so highly organized that it is to some of the countries of Europe as the vertebrate to the mollusk? Do physical decency and comfort fight against the soul? Is a hut with contemplation and vermin better for spiritual development than a modern home with bath-rooms, sunshine and sound rules of hygiene? Will people develop a less exalted conception of the hereafter under a programme that stands every man on his own feet, faces him with his own responsibilities, and makes him do justice if he expects to receive it? Does the picture of a million men under arms appeal to the soul more powerfully than the spectacle of a million men at work?

Is there more poetry in the construction of a battleship than in the construction of a great steel bridge?

If art has flourished in a society made up of special privilege at one end and ignorance and fear at the other, is it less likely to flourish in a society from which both privilege and fear have been largely banished? in which fierce competition constantly spurs ability to do its best?

It is true that going so directly to the root of the problem, undertaking changes in society so radical, reversing the whole point of view, putting industry at the front and not under foot, has resulted in numberless

temporary conditions onto which the critics with some justification pounce for evidence that we are to fail in our vast undertaking. Some of these conditions are serious; some shock and disturb even those of us who believe in the complete triumph of our plan. For example:

We are governed by bosses. Our best men generally avoid politics and our worst men seek it. Municipal government is generally an orgy of "graft." Lately our greatest city deliberately rejected decency in its government and invited the most notorious organization in the world back to power. Our press is yellow and largely a pander. Churches are not half filled on Sunday. Some of our college graduates can neither spell, write nor speak the English language correctly. Our children are frequently ill-bred. Our tastes in music have turned the organ and piano into mechanical monsters. We do everything in a rush. We do only a few things very well. All our standards relate back in some fashion to the dollar. Our cities are architectural monstrosities. We have no longer a literature worthy the name. The theatre has become vulgar where it is not dirty, and vaudeville pays better than Shakespeare. Lately we have been told that the man whose virtues I am extolling, the business man, is the father of all systems of "graft".

Just recently, too, no less a personage than Dr. Faunce, of Brown University, delivered this criticism: "We are a people of quick perception, sensitive temperament, swift to respond to our environment, and with peculiar versatility in resource. Yet we still stand outside the realm of ripened wisdom and assured and stable conviction."

All true enough, and all false enough, but the expression of a superficial and an unsympathetic view. The man who sees no deeper than these criticisms take us, does not understand the age.

That "insatiable hunger for Eternity" is here, but it also has changed its habitat. It dwells elsewhere as well as in the learned professions. Strangely enough its chief representative and hope is again the man of action. He has not only organized force, but in that organization he has preserved and somewhat developed spirituality—at a time when the astigmatism of the critics makes spirituality seem to be waning. The seed sifted from all the world to be planted in this wilderness has progressed so far toward spiritual as well as material fruition,—the plan of civilization that will finally be worked out here has been so far sketched, that the dominant figure, for this generation at least, emerges. That figure is the man of affairs. Let us look at him a moment.

He is the product as well as the master of the age. In him are the statesmanship and learning, the good breeding and love of art, the poetic feeling and philosophy, the philanthropy and the longing for Eternity which the critic and the pessimist insist have departed from us, or from the beginning have avoided us. This modern man of affairs is many sided. That he does things is beyond discussion; but many of us yet fail to realize all that he does. In him is the spirit that drew millions out of Europe, and in him is the hope that brought them hither. He is master in a land where Industry is honorable, where for the first time it is really no disgrace to work; where a man of leisure is more apt to be a loafer than a gentleman. What the instinct of the people felt for a thousand years he has crystallized into definite plans. Better than any other type he has understood the unconscious determination of the world to build here on new and radical lines.

This leadership of the man of affairs has amongst other things made him a statesman. Statecraft with us has come to be made up largely of questions of commerce,

in which business is naturally dominant. The old style Senator—pompous, oratorical, diffuse—has nearly disappeared. The Senator or Congressman who shapes legislation is either a business man or he uses the business man's methods. There is very little buncombe about Congress by contrast with its earlier qualities, and there is very little ground for the outcry sometimes made against the dominance of this new type. The standards at Washington have been lifted to a new and higher level by the man of affairs. His view is broader than nationality. He is wiser than any Foreign Office. His fingers are on the pulse of the world.

He is also a philosopher. In all our fierce style of life no man is nearer the heart of things. He not only sees but he guides the forces at work. He studies the problem from all sides, as Shylock did when considering the loan to Antonio. He knows, as Shylock did not, that "Ships are but boards, sailors but men. There be land rats and water rats; land thieves and water thieves." His philosophy has taught him how to avoid most of the hazards which ruined Antonio. He studies organization, and organization involves the whole philosophy of human progress.

Our business man is a philanthropist. He has come to do what the King formerly did. He founds hospitals, endows schools, builds churches, makes learning and books free. He makes money but he knows what money is worth.

Our business man is a poet. Poetry has found expression in various forms: sometimes in language; sometimes in harmony of sound; sometimes in stone; sometimes in color; but true poetry is always the same:—it is a lamp that leads forward, a glimpse of new truth, an appeal, a longing, a height that beckons, a better revelation. There is poetry in business, and our business man recognizes

that. He gets the view of the prophet and poet while attending to business. He does not merely hope for the elevation of the race; he does not simply pray for it; but he does, with his own hands, that which forwards it, and he studies with wonder and awe and delight the social and political forces working under his fingers. He consolidates the industries of a continent and then introduces profit-sharing. He knows the poetry as well as the machinery that underlie and uplift the status of those who toil.

Our business man is a prophet. He does not adopt a strange dress and fast and wander in the desert. He probably has a yacht and an automobile, but he is a prophet none the less. A leathern girdle would not suit him for raiment; neither would locusts and wild honey answer for his diet. He takes civilization by the throat and remakes it while you wait; he prophesies in one breath and fulfils the prophecy in the next. He shifts the trade supremacy of the nations, not because the people definitely ask it, but because he sees in advance that the hour has struck. His impulse here is identical with that which made the old prophets cry out. His achievement is kindred to the victories which made the first King. But we do not call such a man either a King or a prophet; we call him a Captain of Industry. As a matter of fact, few Kings have made so deep a mark on the history of the race as certain American business men.

Above everything else, our business man is a leader in establishing standards of commercial honor. The cleanest, the best securities in the world, are those that represent the doings of the business man. The securities of the nations are no better; the pledges of most counties and cities are not so good.

The critics think and the world generally thinks that our ideals are low, and that the children of the spirit have

departed from us because this is a material age. It is a material age, and we are proud of it. We have work to do,—great work to do; we rejoice in that condition. But we see beyond that. We do not make the mistake, while harnessing Niagara, hurling great trains across the continent, and burrowing under great cities and rivers, of supposing that these achievements are of themselves vastly important. These great projects appeal to us because they have fallen to us to do, and we know that if we failed to do them, we would fairly be condemned by all coming generations; but the doing of these things in the far reach of affairs inspires the children of the spirit and does not smother them.

We do business and we dream, too.

We grapple with practical problems and philosophize at the same time.

We get a glimpse of Revelation while struggling with the problems of Genesis.

There is philosophy in a limited train.

There is beauty in an ocean greyhound.

There is a perpetual miracle in the long distance telephone.

There is a philanthropy as well as power in a billion dollar corporation.

The man who is big enough to handle a great modern enterprise is broad enough to be a statesman, sound enough to be a philosopher, dreamer enough to be a poet, generous enough to be a philanthropist. Almost without exception our great business men are men of imagination. Indeed, it is certain that the representatives of none of the so-called learned professions, at the time when they were in their heyday, ever needed for success the breadth of view, the charity, the humanity, the philosophy and the ability now necessary for great business success.

I have said that the world sent its choice grain here

to plant a new civilization based on a re-adjustment of things,—based on co-operation, on production as distinguished from destruction; based on conditions that would make life worth while not only for the privileged few, but for all who had energy enough to deserve it.

This can now be restated by saying that our civilization is based on a new conception of the value of human life. Strangely enough, human life has always been cheaply held. It has been scattered as a spendthrift scatters money in support of political ambition, religious dogma, and for gain. The greater part of what we call history is merely a recital of how thousands were slaughtered because of some difference of opinion over geographical boundaries, or some difference of opinion as to the hereafter.

Our civilization sounds a note which reverses all this and, for the first time, aims to put things in their proper relation. It insists that the precious thing,— the thing to be conserved and elevated and saved, is human life. In developing this truth we have only made a beginning, yet that beginning, translated into facts and figures, is startling in its proportions and staggering in its suggestions.

The plain, quiet citizen has had a chance and has been doing things. He has been working his way upward from the condition of that earlier time when industry was not regarded as entirely honorable, was, indeed, in chains. He has had a part in this new conquest of the forces of nature; he has been very busy making his place in this new style of civilization. He is to-day what may be called the truly rich man.

Let me state one fact without going into statistics, a fact that is not singular, that gives only one view out of many, of the unprecedented achievements of the toiler, the unknown, the unnoticed, the unadvertised. On Janu-

ary 1, 1904, the aggregate of savings banks deposits in this country added to the total obligations which the ordinary citizen had then, under a great system of co-operation, undertaken to pay, amounted to $21,500,000,000. (I do not name this particular phase of co-operation from fear that you may think I am talking "shop.") This is almost two-thirds the public debt of all the nations of the world. Before this total all the private fortunes of which we know, and of which we hear much, shrivel into inconsequence. The present market value of all the stock of the greatest corporation yet organized is to this as one to one hundred. The dream of a new civilization, where things should be readjusted, where life would be worth while for all and not for a privileged few, begins in this fashion to take material form.

What these figures will reach during the lifetime of most of us is uncertain, but they promise to become the greatest of all conservative powers—not in the interest of dynasties or families, but in the interest of that unit on which any permanent civilization must rest—the man in the street.

In the working out of this great purpose, devotion, spirituality, sacrifice, the things of the spirit may not be in evidence, or may not give the evidences that are usually recognized; but sacrifice of the very highest type is there; honor surpassing the standards of the days of chivalry is also there. And the master of all is the man of business. His control is sane and sound and philosophical. He uses the professions, old and new, to forward the cause he labors in, but he commands. His is the great career. He especially beckons the scholar,—not the scholar whose "native resolution is sicklied o'er with the pale cast of thought," but the scholar who is also a man of action.

I commit no heresy when I say that in this titanic

struggle the scholar thus far has not borne his proper part. He has been too much worried over the danger that might come to the children of the spirit; he has been too much horrified over the dirt of politics,—too much disturbed by the apparent dominance of the dollar. But, clinging to the professions, the scholar cannot escape business if he would. The old-fashioned lawyer, like the old type of statesman, is about as near a tradition as the Shepherd Kings of Egypt. The lawyer of consequence to-day,—who wields real power, who brings things to pass, who succeeds,— almost never appears in court. He depends on his knowledge of law, and of business, not on his eloquence. His duty is to keep his clients out of trouble, not to get them out of trouble. He is probably either in the service of a group of corporations or devoted to work that keeps him constantly in that atmosphere. In some fashion this same change has come to the Doctor of Medicine and to the Doctor of Divinity. There has been indeed a re-adjustment of things.

The men who have led in the industrial and business developments of the past twenty-five years are men not unlike the contemporaries of Ira Allen and Thomas Chittenden. They are pioneers. With prophetic eye they saw the opportunity. They went out ahead of the established order because they discovered an empire lying just beyond. They frequently found themselves on the borderland of law and, in some cases, actually pushing organization to points where no statute applied. Of course this was dangerous.

The dangers of the frontier are always real, whether they assume the form of savages and wild beasts or of legislators and blackmailers. But the men who lead in such enterprises have the poet's soul and the warrior's heart.

Unwittingly no finer tribute has been paid to this

type than that offered by the chief law officer of the United States recently, when attacking in court the great plan which a certain famous organization had worked out for the development of our mighty Northwest, and to control the trade of the Orient. He referred sneeringly to certain master spirits as "Oriental Dreamers—Empire Builders". And so they are. The great business man is always a dreamer; he must be. He is an empire builder also,—the chief empire builder of this day.

Like Columbus he stands on the shore of tossing seas which divide him from his desire. He sets sail, in craft frequently as frail as those which carried the great Genoese. He is tossed and storm swept; his crews mutiny and sometimes take possession and turn pirates. But now and then a voyage prospers and he discovers, not the land of his dreams, but a new world. Whether that new world is Production, or Transportation, or Co-operation, or Steel and Iron, or Electricity, or Commercial Honor, the master who finds it and rules it must be as much a Poet as a Man of Action, as much a Dreamer as a Doer, as much a Child of the Spirit as a Man of the World. Such is our business man and such are his qualities and his potentialities.

When the civilization, which he has outlined and fashioned, will flower, when the superstructure which is rising on this new foundation will reach the fullness of its majestic plan, I do not predict; but that its imagination and philosophy, its courage and spirit of prophecy, its love of justice, and good order, its hatred of war and waste, its fierce energy and ambition, will ultimately triumph in letters and learning, in true religion and in art, as completely as it will itself triumph in science, in trade, and in the councils of the nations, is certain.

The immediate opportunity of the college-bred man is in hastening the day when letters and philosophy, true

religion and art shall take places where they will as far surpass their earlier achievements as this civilization surpasses in its standards any other now existing or that has passed away.

But the short road to this opportunity, during the opening years, at least, of the oncoming century, does not lead through the study or the cloister but through the market place, under the smoke of the blast furnace, through the banking-house, into the almost immeasurable energies of corporate and co-operative enterprise.

The college-bred man who would be a real part of the forces that control must follow this road. He must keep his ideals, but the best way to keep them is to get into the fight and impress them on the world by doing a master's part. That part demands the clear head, the strong hand, the steady nerves, the courage, the unselfishness, the integrity and the idealism that distinguish the story and the men of the first century of the University of Vermont.

PROFESSOR HENRY A. P. TORREY

A Tribute.

University of Vermont. June 23, 1903

MY tribute to Professor Torrey must be limited and determined by such memories of college days as remain after the lapse of almost a quarter-century. Viewed through the atmosphere which these memories create, Professor Torrey presents to me a figure at once heroic and gentle, wise and simple; full of appeal, however regarded, to all that is manly and wholesome.

A tribute based on such memories may not be one that will satisfy a critic, because it goes straight back to the feelings aroused in the heart of a boy of twenty by the contemplation of his character, and will necessarily be colored by the admiration of the student for the master; it will be influenced by the almost romantic devotion natural to youth, while contemplating a mind so subtle, so clear and so profound as his.

I never knew Professor Torrey in any other relation. I never had the privilege of meeting him socially, and

rarely had an opportunity to shake hands with him later in life, when through the passage of years, I might have felt that I was meeting him man to man. I get some consolation out of that fact. I am willing to admit that not having known him socially, or as man to man, I have probably lost a great deal; but if I had met him as most of you have, if I had known him as most of you did, I am certain I should have lost something, and I am certain I should have gained something; and when I say that I am not certain that my gain would have been greater than my loss, I am in no way lessening my tribute to our departed friend; I am only admitting that the intervening years have swept me into a world where I might have misunderstood him.

It is certain that Professor Torrey was in no sense a man of the world; that wasn't his mission. Life led him toward the cloister rather than the forum. In the presence of modern business, brought practically face to face with the problems that control modern life, Professor Torrey would have been a child. His great wisdom was not of the sort that could solve these problems in direct contact. Life was kind and kept him in the world which he understood. I knew him and remember him only in that world; and to me he is a man almost without a weakness. I see him and shall remember him only in his own proper sphere of life. I remember him as the philosopher living in a congenial atmosphere, untouched by the material and sordid; having little and wanting little; satisfied indeed with what he had; poor, as the world estimates men, but rich beyond all calculation in those rare possessions which satisfied his soul; possessions which may not be transmitted by written wills, but which he has transmitted in abundance to you and to me and to all who knew him.

Professor Torrey being what he was could never have been rated a great man by the world as it is; and yet he was a great man; in some ways he was a prophet. His

character and mind foreshadowed something of what man ought to be, and possibly sometime will be. In his passage through the mystery that precedes life, all the baser instincts and desires and passions were burned out of him, and he came into this cycle of existence purged of the faults with which most of us constantly struggle. This world could not in any large part recognize him for what he really was, yet it is easy to construct in one's mind a world in which Professor Torrey would be recognized as a great man, and it doesn't seem to me that that imaginary world is an impossibility either. If we could bring ourselves to believe in some theory of the transmigration of souls, we might get comfort from the belief that his world somewhere exists, and, therefore, that at sometime Professor Torrey will come into his own; will be recognized not only by us, but by everyone, for what he really was. In any case, those of us who passed through his class-room and sat under his instruction have already had a little glimpse of that ideal world and its fashion of manhood; and we meet to-day to acknowledge that opportunity, and to record that obligation, and to pay our tribute to his memory.

The farther one gets from his four years in college, the more personalities stand forth. With each passing year one has a clearer memory of men, of a few men, and a vaguer memory of books, and of college life generally. At a distance of almost a quarter-century one begins to realize this forcibly. Every man who passed through the halls of the University of Vermont, at least during the period of my connection with it, as a student, will remember, as long as he remembers anything, the personal power, the personal influence of at least two men—we may not speak of the living—Professor Pettie and Professor Torrey. It is impossible, even after twenty years, to analyze and describe exactly how these men were able to reach a boy's soul, to tell how they could by a turn of the

head, by a glance, by a cadence in the voice, make the boy tingle from head to foot with the love of everything that was beautiful and with scorn of everything that was mean; but they had that power; and that's what counts in education; that's what abides.

This is what paints my picture of Professor Torrey. It is a power without which no teacher can be a great teacher; a power which few men have ever had. I doubt if any pupil escaped the impress which he so naturally left on everything he touched. However dull or ordinary the student, Professor Torrey could in some way reach him. He might not instruct, but he could inspire.

Therefore, before he passed into the mystery that stands at the end as well as the beginning of every life, Professor Torrey had insured for himself a kind of immortality which doesn't permit of discussion; he still lives in the flesh and will continue to live so long as his pupils, or their children live, or have traditions. And my tribute to him is perhaps best summed up by differing with the philosophy which Shakespeare puts into Hamlet's tribute to the dead King:

> "He was a man, take him for all in all,
> I shall not look upon his like again."

Instead, of our dead Master, shall we not say: He was a man gentle, wise, sane, great; who gave of his strength and life to us so generously that he has been translated, and while we may not hereafter see his familiar figure, we shall indeed "look upon his like again".

PURITANISM: A LIVING FORCE

An After-Dinner Response before the New England Society of Pennsylvania, December 23, 1907

WE do well to keep the festivals of the fathers. We do well to keep alive not only in the written page but through personal contact and through the living influence of the spoken word memories of events which touch the imagination and invoke the prophetic voice.

History has its seed time and its harvest. The harvest is not made up altogether of tragedies, although the history of the world as written deals chiefly with the wars of the world. The harvest after all is in the development of States, in the dissemination of the principles of liberty, in the establishment of religious freedom, and, in these later days, in the establishment of a new type of society in which men have taken on new relations to each other and new relations to property.

The events in history which permanently and profoundly move us are connected with the seed times. The first settlement at Jamestown, the landing of the Pilgrims, the establishment of a colony under the charter secured by

William Penn,—these invoke the prophetic voice; these touch the imagination; these draw men together: they make the pulse beat; they revive hope and faith and courage. In no such fashion, notwithstanding its fearful significance and almost unending influence, do we celebrate the liberties gained through the French Revolution, or the liberties gained through any similar tragedy in human history. We celebrate some of these events, but not in the spirit that moves us when we celebrate Forefathers' Day.

Within the history of the world with which we are familiar, the great seed time was from 1607 to 1681. Within that short period seed was planted at Jamestown, at Plymouth, at Salem, in New Amsterdam, in Maryland, in Rhode Island, in the two Jerseys and in Pennsylvania. Events crowded thick upon one another. Each movement represented a separate impulse springing from the civil and religious conditions in England, and each has played so splendid a part in the development of the great Western Republic that comparisons and contrasts seem invidious and can be profitable only because of the lessons which they teach.

There was no real moral impulse back of the movement which founded the colony at Jamestown, none back of the movement which first established New Amsterdam. The Pilgrims, on the other hand, represent so many ideas which we revere that it is difficult to state the facts conservatively. They left England for conscience' sake. They settled in Holland. But while they gained there the religious freedom which they so painfuly sought, they soon realized that their identity as Englishmen would ultimately be lost. They, therefore, gave up the comfort and peace and liberty which they had achieved, and, in response to the instinct of nationality, faced the terrors of the wilderness, put themselves back under the dominion of the King from whose jurisdiction they had fled, determined, it is true,

to worship God according to their own ideas, but perhaps even more determined to preserve their identity as Englishmen.

The Puritan who followed the Pilgrim represented a revolution which was again quite as much political as religious. He first of all stood sternly for purity of life. The key word that most completely explains both the Pilgrim and the Puritan is Morality. Human conduct was really their goal. We admire the Puritan's heroic qualities and applaud his fidelity to principle, but candor compels us to admit that it was almost impossible for a sympathetic human being to exist under the first government he founded. His own stock could not endure it long, and so they scattered the seed and widened the planting; they migrated—each migration representing a fresh rebellion—to Narragansett Bay, to Hartford, to New Haven, to Saybrook and even to the Jerseys. They stood everywhere for self-government as they understood it, and for purity in personal conduct. Whatever they sought they sought intensely. This explains such various and almost hostile developments as the Mayflower compact, the Puritan theocracy, and the complete religious liberty established in Rhode Island. It explains the confederacy of those Connecticut towns founded by the Pilgrims and by the Puritans organized under "the first written constitution known to history that created a government". Each migration represented a different form of protest, a different ambition, a different hope. Well has the historian said of this period, and his comment is almost equally applicable to the two succeeding centuries, "The Puritanism of New England originated and fostered the free and radical working instrumentalities and forces which neutralized its own errors, restrained its own bigotry and severity and compelled it to develop from its own elements something better than itself".

While Pilgrim and Puritan sprang from the same stock and were impelled by similar motives, our sympathies are always with the little band which landed at Plymouth in 1620. It stirs our pulses still to recall that although

> **"The breaking waves dashed high**
> **On a stern and rock-bound coast",**

and although one-half of the colonists perished during the first Winter, there was not a single backslider amongst the survivors when the Mayflower sailed away the following year. The grim determination and the success of Plymouth set in motion the great exodus from the ranks of English Puritanism—when the King determined to rule without a Parliament, when the Church asserted the divine right of kings. Puritans in England turned to their kinsmen beyond the sea, who were enduring hardships in a new land, but were in bondage to no man. The impulse that brought the Puritans to New England was not exhausted by that exodus, it continued to work at home until one king lost his head and another his throne, and the principle of responsible representative government was established there about as completely as here. But the union of Church and State remained and has continued to plague our British cousins to this day. Here, on the other hand, Church and State have been so completely divorced that we are at present disturbed only by the question whether the rights of conscience are infringed when Christmas carols are sung in the public schools.

The faults of the Puritan were the faults of his times. The Puritan's claim to charity lies in the fact that he continuously outgrew his faults. The colony of Massachusetts Bay at first allowed only church members to vote, but the colony of Connecticut only ten years later imposed no such test on suffrage. Massachusetts banished Roger

Williams and put to death the Quakers who would not accept their liberty and go away. These were grievous errors, even though they were committed in obedience to the principle under which we refuse to allow anarchists to land on our shores. Forty years afterwards Massachusetts revoked the decree of banishment against Roger Williams, and the severe laws against Quakers were in force only five years. The witchcraft delusion was also a delusion of the times and its special manifestations at Salem were brief though bloody; but with this outbreak the delusion came to an end. As the Puritans outgrew their faults so they recognized one by one the great principles of democratic government. No taxation without representation was established in 1631 when Watertown refused to be taxed to build a palisade at Cambridge. In 1644 the controversy over the Widow Sherman's stray pig resulted in the establishment of two legislative chambers, each of which had a veto on the other. The movement was rapid. In 1639 representatives of the towns of Hartford, Windsor and Weathersfield met in General Court and formed a federation which foreshadowed the Federal Constitution of a century and a half later. Powers not granted under the Constitution were reserved to the towns; the Governor and Council were chosen by popular vote; each town had equal representation in the General Court. This constitution not only remained the organic law of Connecticut until 1818, but the "Connecticut Compromise", which embodied the equality of the States in the Federal Union, saved the Constitutional Convention of 1787 from breaking up in despair.

While the Puritan was a religious enthusiast with a passion for self-government, while he was stern and narrow, and to the superficial view unsympathetic, he never sought the millennium by any short cut. He set his face toward a Heavenly City, but he kept his feet upon the

solid earth. He had no new theories about property nor about marriage. He believed in God as the Governor of the Universe, and while he committed himself in every contest to the providence of God, he kept his sword sharp and his powder dry. While he was not over tolerant of new ideas, he did not fear an appeal to reason. He, therefore, founded Harvard College when the colony was only eight years old. He frequently compromised. He yielded something of his theocratic views in order to bring New Hampshire into the united colonies of New England, and in 1657 he invented the "half-way covenant" in order to hold the rising generation in the Church. Even stout old John Davenport, the founder of New Haven, the staunchest defender of theocracy, "the Lord gave to see", as Cotton Mather phrased it, that "in this world a Church-State whereinto there enters nothing that defiles" was impossible.

The Puritan knew how to labor and to wait. He instinctively felt that the stars in their courses fought against his enemies.

If I were speaking to a Pennsylvania Society in Boston, I should not fail to remark that as recently as the time of the Declaration of Independence, Pennsylvania and Delaware were the only colonies in which all Christian denominations stood upon an equal footing, and that these colonies were founded by Quakers. If I were addressing the Southern Society in New York, I could not forget that Virginia had her House of Burgesses before the Pilgrims left Holland, and that Maryland, under a Charter granted in 1632 by a Protestant King to a Catholic Lord Proprietor, enjoyed the largest degree of religious toleration then known in North America. But except Virginia, none of these colonies had been founded when the Pilgrims came to Plymouth, and no colonies except those of New England were settled by homogeneous bodies of men under religious

teachers. It was this community of feeling, this unity of thought and purpose, this common ancestry and traditions which have made the New England colonies a continuing force in the New World, and resulted in the orderly growth and development of the principles of self-government.

In all the movements which make up the subsequent history of the colonies, and the history of the Nation, the Puritan has played an important part, particularly when questions at issue were questions of morals.

We have, in form at least, a representative government, and there is an indissoluble union of indestructible States; there is not only toleration, there is perfect freedom of conscience wherever the flag floats. There are no more Royal Governors, no more Lord Proprietors in Maryland and Pennsylvania, no more Patroons on the Hudson, no more Lord Bishops in Virginia, no more "Lord Brethren" in Massachusetts. We have settled the question of how the unoccupied portion of the national domain shall be governed, and disposed of; we have settled the question of slavery; but we have not settled the question of the relations between the States.

The local rights of the States, the relation of the States to the general government, and the relation of modern business to both,—these include the substance of our present-day problems.

The plans, the organization, the usefulness and the inherent rights of business as we conduct it, are all continental in their scope. Business as we have planned it cannot do what we demand of it if we follow any but heroic models. Even our domestic and every-day economy partakes of the same character. Our food, our clothing, our water supply, the lights in our homes, transportation and education all are parts of great units, which ramify over considerable territories, and are bound together by indissoluble ties. Local interests in the earlier sense have

disappeared. There are no local interests. St. Paul foreshadowed our civilization when he said "For none of us liveth to himself".

Every important business seeks, naturally and properly, under the stimulus of the telephone, the telegraph, the limited train, and that legal device called the corporation, to meet to the full its opportunities in forty-six States. The genius of our people, the topography of the country, the method of its conquest and settlement, all demand this of business. Yet, strange contradiction, business is held up at forty-six frontiers, harassed by forty-six different and separate Legislatures, each of which claims and exercises substantially complete control over what Interstate business shall and shall not do in all the other States. As against certain interests, a considerable number of States have even nullified the explicit provision in the Constitution of the United States which guarantees the protection of the Federal Courts. States deliberately cultivate sectionalism and become rivals in questions of morals as well as of business. One State seeks revenue through laws which are framed to make the issue of questionable charters easy; another seeks to increase its population and revenues by making divorce easy.

The issue strikes deep and involves the most serious consequences. Just where to place the Puritan in this coming struggle I am not sure. But in a collateral, a more immediate, a preliminary, and perhaps an equally important contest, the Puritan's place is easily discovered.

The representative idea for which the Massachusetts Puritan stood—after some hesitation—has been thoroughly interwoven with our business and general polity. It is indeed an indivisible and inseparable part of it. In the communism of modern society and in the operation of that great implement of modern activity which we call the corporation there have developed a new set

of public questions, a new type of crime, a new species of criminal. There are men—a few men—who by earlier standards would be rated respectable, public-spirited, possibly even philanthropic men who would be shocked at the suggestion that they would steal or commit murder or debauch their fellow citizens or be guilty of treason, who nevertheless commit general and impersonal and almost untraceable acts, which when analyzed in the light of the responsibility which attaches to our whole program of society can be properly characterized by no other terms.

Modern business in its reach and results has opened up a new world in achievement, but it has developed some distressing phases of human weakness, too. We no longer expect men within the definition of the Constitution to be traitors to their country, but we find that men can easily be traitors to their fellow men. In brief we have discovered that some men will do as representatives of others and indirectly what they would not think of doing personally and directly. We have planned and built a society in which every person is in some sense a trustee for all the other members of society, and we have found that it takes a high type of man to be honest and just when entrusted with other people's interests.

There was something in the modern corporation operating in a field of almost unlimited opportunity which appealed to all of us. It touched our national pride, our belief in our ability to do great things; it gave opportunity to national energy. We reveled in it for a season. Then came a violent, a public and a merciless test. The newer methods of business were measured by the old standards of fidelity, without opportunity for palliation or defense. The facts were distorted. There was some lying done. But practices that were indefensible on any theory of business at any time or under any standards of morality were uncovered. Mistakenly assuming that these revelations have

disclosed a general moral condition, our first feeling was amazement; then anger; and then came a hysterical fear. And fear has wrought its deadly work.

From too intense introspection the Puritan of 1692 passed also to hysteria and finally to the horrors of Gallows Hill. We have had no Cotton Mather and no Gallows Hill; but by how much have we missed both? Are we so certain that a few generations hence our initial treatment of the excesses developed in modern business will be considered any less inhuman or any less cruel than the acts of the good people of Salem in their struggle, as they believed, with a personal devil?

The fury of 1692 passed quickly. Our fury is subsiding; but its lesson, I take it, has been profoundly learned. We shall pass from the tyranny of corporations and from corporate excesses to a greater power and a better freedom, just as the Puritan passed from his theocracy to a sound and responsible personal liberty. The national idea will ultimately overcome the opposition of localities. The national method will be purified. What we seek to-day is what the Puritan sought three hundred years ago, viz.: the elevation of human conduct, purity of life,—and by life we mean those enlarged relations under which substantially every act of every man affects the interests and the rights of every other man.

The seed planted in the seventeenth century has kept its character and quality through a thousand replantings. With it have since been sown the siftings of the world. There have been seasons when a rank and sudden growth threatened to choke and destroy it, but again and again it has prevailed and brought in a harvest of sanity and justice and fuller liberty.

So in the struggle to-day for higher moral standards in business, the demand is for the fidelity of the Puritan; a fidelity which shall be as exact under the impersonal

responsibilities and duties of modern business as the fidelity inspired by a belief in personal responsibility to a Personal Being who is omnipresent. Nothwithstanding a popular belief to the contrary, the standards of business as a whole to-day are not far from that conception of responsibility. They will constantly approach nearer to it because Puritanism is a living force; because men still honor the stern standards of old Salem; because men still love the liberty, the charity and the humanity of Plymouth.

"THE LAND WE LIVE IN"

AN AFTER-DINNER RESPONSE DELIVERED BEFORE THE SAINT ANDREWS SOCIETY OF THE STATE OF NEW YORK, WALDORF-ASTORIA, TUESDAY EVENING, NOVEMBER 30, 1909

THIS toast does not indulge in the language of enthusiasm. Its spirit breathes the resignation of fatalism,—and a touch of fatalism is not altogether out of place in any assembly of Scotchmen. It registers an emotion; it files a protest; it expresses a hope. The emotion is the love of Scotchmen for Scotland, for the highlands and the heather: this makes them hesitate to call any other land home; the protest lies in the implication that the Scotchman's real abiding place is not here; the hope shines forth in the suggestion that home will finally be reached, but only after the American Scot has passed beyond the boundaries of the land where he now merely lives.

The toast says, in effect, that there are but two definite, desirable, wholly congenial places,—one, Scotland, the other, the Kingdom of Heaven. All that lies between must be submitted to humbly and gratefully, and as that

necessitates a place of residence, a land in which to live while passing from the first to the second estate, a toast to that land is not out of order, *provided* we do not forget the Land o' Cakes meanwhile, nor ever forget the place for which every Scotchman thinks he is headed. Of all the purgatories which lie between these two delectable lands, we may safely conclude that this particular spot, this United States, is rated as the least objectionable. Horace Greeley used to say that he considered his lectures popular if the number of those who stayed to hear him through outnumbered those who went away. By this test the United States is popular. The native-born rarely expatriates himself; the foreign-born seldom does; and notwithstanding the conservative sentiment of this toast, the Scotchman practically never does.

The conservatism of the Scot is always in evidence. It is evident not only in the phrasing of this toast, but also in the time-honored program of all the Dinners of this Society. A native-born Scot always responds to the "Land o' Cakes". That is done to restrain the orator. Of course a native-born Scot cannot be as fervid in his praise of Scotland as an outlander might be. It wouldn't be modest, and this Society is sure of its ground when it puts a Scotchman in that position. On the other hand, if the native American who always responds to "The Land We Live In", becomes perfervid in his praises and forgets to be entirely modest, the Society has the consolation of knowing that the excess was not committed by a Scotchman.

To recite the usual catalogue of our country's resources and the virtues of its people would hardly be responsive to the sentiment which lies behind this toast. If we point to the size of our country, we can hardly expect that consideration to quicken the Scottish pulse, because Scottish history, romance, poetry and song, and

the Scottish national tragedy all relate to a small country, and as such never have been and never can be expatriated. If we point to our country's wealth in land and in manufactures, to its commerce, to its transportation, and to its banking, we shall perhaps come nearer to the Scotchman's reason for proposing this toast, because Kate Douglas Wiggin's story of the Scot who asked the Lord not to give him great wealth but just to show him where it was, does have a certain pertinence.

I have sometimes wondered if it was our climate which attracted the Scot. You must have noticed that he is not to be found, or at least is not so numerously found, in those portions of the country where the climate is most attractive. He seems to love places where the air is harsh, foggy, smoky. This is significant; the Scot likes smoke; therefore he likes Pittsburgh; he even likes a smoky taste in his drinks.

But however moderate the Scot may be when he phrases a toast, he has not been moderate in his successes, and the part he has played in the erection of this Republic would indicate that neither his memories of Scotland nor his hope of the hereafter have materially qualified his present energy or lessened his power. Does the Scotchman find here, consciously or unconsciously, some realization of the hopes and ambitions which were crushed at Flodden Field and historically destroyed at Culloden? He may not sing here as Scotia's immortal bard sang; he may not write with the magic pen of Glorious Sir Walter; he may not preach like John Knox. But does it follow that these qualities have been lost? Have they passed, or have they been born into a New World and applied in a different, a larger, and possibly a better way?

Some people explain the indifferent success of the Unitarian Church as a church body in this country by pointing to the fact that Unitarianism has spread over the

entire religious world, that it has modified the creeds of many churches, made the hearts of men gentler, the mind of the religious world braver and clearer, and that it has done a great work, even though it has not built a great church. Do Scotchmen hold some such relation to other races and other nations? They lost their separate nationality after having more than an hundred Kings; but in that loss did we and they find a greater gain? The building of a nation, the preservation of national ideals and national traditions is a great work. But when, as now, we see the nations lagging behind the individual in some of the essentials of sound civilization; when, as now, the nations are increasing their armies, vying with each other in the size of their battleships, building tariff walls higher and higher, the suggestion is forced home that possibly Scotchmen who have been unable to do these things as a nation have been doing something better as individuals. Notable examples immediately present themselves:—Neither nations nor hemispheres can fix boundaries for the beneficent, uplifting, individual work of Andrew Carnegie, and time only can put limits on the ultimate reach of the princely munificence of John S. Kennedy.

"God sifted a whole nation", said Parson Stoughton, "that He might send choice grain into His wilderness" in New England. And in this later day, if we copy the faith of this rare old Divine, we may fairly say that God sifted the world for the seed from which our nation has sprung.

The land we live in is indeed a great Melting Pot, into which have been cast the ideals of all the nations. Here Roman Private Law and English Public Law, spiritual authority and individual responsibility, Puritanism, Presbyterianism, Anglicism, Judaism and Catholicism, have come to grips, and each has found its place. Here man's

new and high purpose is best expressed in Milton's majestic line which tells of his desire to accomplish

"Things unattempted yet in prose or rhyme."

In this attempt we did not reject old traditions and old institutions, as orators and writers love to tell us. We brought most of them here and put them to a new, a conclusive test. Each people whose members, reversing the historic method of state-making, have voluntarily joined in the creation of that noble procession of commonwealths, now marching under the flag with forty-six stars, has clung to its traditions, as heroic peoples always do. Here have come face to face not only every type of religion and the great systems of law, but every code of morals, every school of philosophy, every program of government, every social plan. And whereas peoples have been and elsewhere are still divided into hostile camps because of these differences, here, under our purpose to do what had never before been attempted, they have found a common purpose which has been strengthened and broadened in spite of—perhaps I should say because of—these differences.

The contest presents a kaleidoscope picture of civic heroism and selfishness, of patriotism and meanness, of progress and reaction. No man stays put. We may criminally waste our natural resources and we may be largely ruled by grafters, but nevertheless the rail splitter of to-day may be the President to-morrow. We may seem materialistic, but actually we have spiritualized material things; and herein lies our appeal to the Scot.

The Scot is an idealist. He can follow the cause of "Royal Charlie" with an enthusiasm that contradicts his reputation for worldly sense.

I remember hearing that sometime Scotchman whose name will always be associated with the project that has

made it so easy to get to New Jersey for those who need that recourse, say, that all he had to contribute to the construction of the North River tunnels was the North River itself and a dream. And what a noble, daring conception it was. Milton describing war between immaterial beings who used what was then modern ordnance was not more daring.

Byron, in his imaginings, foresaw the airship; but are the men who added to that imagination the courage to undertake and the genius to accomplish the conquest of the air lesser or greater poets? Is it less to be the Doer and the Dreamer than to be the Dreamer only? Is poetry any less poetry when you live it than it is when you write it? Is there no miracle in the long distance telephone, no realization of Puck's extravagant boast in the limited train, no prophetic beauty as well as power in the skyline of New York? How far behind Champlain and Hudson shall we place the thousands who went through Cumberland Gap to the "dark and bloody ground?" That those other thousands who completed the conquest of a continent had imagination as well as courage we know, because some of us saw a part of that contest and some of you were a part of it. I believe that in such surroundings the Scot found what he liked as well as the place where the bawbees were to be had.

In this titanic struggle—for it was and is titanic—no man except the Puritan and the Jew, was or is as well equipped for action as the Scot. When I claim that at no time and in no place was there such an opportunity for educated men, you may want my definition of education. Education is racial as well as individual. The Scottish race is an educated race. The race which has learned certain universal and imperishable canons of judgment and taste is educated. The race that goes right, on most of the great practical issues of life, with only common

sense as a guide, is educated. The race which through inheritance or through ready acquisition has a certain elemental wisdom, has education and a practical guarantee of success. Have I sketched the Scot?

Does he reason correctly? Is he easily fooled by bad logic? Does he naturally go right most of the time on the great issues of life? Has he a certain elemental, an almost uncanny wisdom? When so much as during the development of the United States was there an equal demand for these qualities? Where was there such an opportunity? And who more than the Scot ever so completely met opportunity?

You will recall the words of Sir Walter in "Marmion"

> "Still from the sire the son shall hear
> Of the stern strife, and carnage drear,
> Of Flodden's fatal field,
> When shivered was fair Scotland's spear,
> And broken was her shield!"

Scotland lost her separate nationality not at Flodden or Culloden, or Marston Moor, or Dunbar, but when James VI. of Scotland became James I. of England. But her spear was never shivered. The Norman overcame the Saxon in 1066, but that merely created the opportunity for the Saxon's finer and larger ultimate supremacy. Cromwell subjugated both Ireland and Scotland, so far as a country can be subjugated by force of arms; and to make the conquest of Ireland complete, he colonized Scotchmen in the Green Isle. He thus produced a mixed race more formidable than either, and from these Scotch-Irish a goodly admixture of the early American immigrants came. When the Scotchman comes as a pure Scot he is dangerous; but when he comes crossed with the Irish he is terrible and invincible.

And yet while the Scot has found here for himself and his kin that which answers to the Poet and the Jacob-

ite in him, that which gives large opportunity and golden reward to his trained faculties, his racial wisdom, and his indomitable courage, he still calls it "The Land We Live In".

Dr. Holmes wrote once of the man who dared not be as funny as he could. If this toast with its spirit of repression indicates that the Scot has not done all that he could because he dare not, then under the spur of his inerrant logic, he will change the toast whenever he really lets himself go, and I can imagine some other descendant of the Puritans standing in my place at some future anniversary of this Society and responding—not to

"The Land We Live in"

but to

"The Land We Own".

If the American that is to be, the citizen produced by this world-sifting, the ultimate product of the Melting Pot, is finally more Scot than Englishman, more Scot than Puritan, more Scot than Jew, more Scot than Latin, it is certain that he will also be more American than Scot. He will thoroughly understand why that Irish lad who was found dead on the slopes of Missionary Ridge, had a sprig of green pinned to the breast of his blue coat. He will cherish the heroic memories of all his sires, he will honor their traditions, he will sing their songs. He will then have reversed the suggestion of this toast. Through his traditions and folk songs and folk lore, all lands will live in him. I respectfully suggest, Mr. President, that at the next Dinner of this ancient Society this toast be modified and that my immediate successor respond, not to

"The Land We Live In",

but to

"The Lands That Live In Us".

THE FOREFATHERS AND THE AMERICAN IDEA

An After Dinner Response delivered on Forefathers' Day before the New England Society in the City of New York, Waldorf-Astoria, Thursday Evening, December 22, 1910

MOST of us who trace our lineage directly or indirectly to New England, in studying the Puritan and in estimating what he did, have adopted a mental attitude which approaches hero worship. The figures of the Forefathers loom gigantically; they move across the perspective of our historical knowledge no whit less indomitable and heroic than the figures of mythology. A proper mental attitude toward progenitors is commendable. Our reverential attitude toward the Forefathers may well be studied by future generations. We have assumed it, however, not for the purpose of instructing our descendants, not at all: it is just a spontaneous expression of the natural humility of the present generation. Hitherto our nearness to Puritan times has explained any really faulty conclusions that we may have reached. Studying the Puritan critically has not been

unlike estimating the height and linear dimensions of a great mountain peak when near to it.

We have been disposed to credit the Puritan with all manner of virtues and to charge him with no wickedness and little error. This mental slant has flattered our family pride, and has sometimes helped the genealogists over doubtful places in our family histories. But the facts hardly warrant such flattering conclusions.

The unadorned truth concerning the Puritan shocks us at first. As we investigate, analyze impressions derived in part from history and in part from tradition and legend, we rub our eyes in amazement. The greatness of our progenitors is not finally diminished because we are shocked; but our own self-complacence immediately becomes less aggressive. I conclude that a sort of subconscious appreciation of the truth explains the fact that the Puritan face—that transcendental aspect—which still lingers in Boston, comes off in New York.

It has never been difficult to understand the Pilgrims. They were very human men. They loom large, but their aspect is always kindly. They were the product of violence, but they were themselves always gentle. They never take us to the battle-fields of human passions. They were prophets and evangels; they had from the beginning a fairly clear grasp of a great idea, but they did not have the force, the driving power, to establish it. They were the social theorists of their day.

But understanding the Puritans has not been so easy. To perpetrate an Irishism, no one could ever get very near to them except at a distance.

Now one hundred and thirty-five years lie between us and the close of the Puritan Era. This gives us perspective. Being so far away we are beginning to get nearer to the Puritan; we are beginning to understand him. The Pilgrim was a Puritan, but mentally as unlike his

brother who came to Massachusetts Bay as charity is unlike bigotry. After he separated from his Puritan brothers in Scrooby, the Pilgrim lived amongst the Dutch. How much of his broad tolerance was imbibed from those consistent and sturdy defenders of individual rights has been, and will always remain, a subject of much speculation. Just why he left Holland, where he had found full tolerance of his peculiar views, is also a question; but, as the Pilgrim had to choose either a home amid the terrors of a savage and distant wilderness, or, as an alternative, a home where he would be faced with the necessity of learning and speaking the Dutch language, he really had no choice. He naturally preferred the wilderness.

But, some one says, the Puritan did have the America of to-day in his heart, when he began to come to Salem and Massachusetts Bay; he did foreshadow the great things for which this country now stands; he was the prophet whose work and voice told of the coming of the great Western Republic. Candidly, I can't see that the Puritan when he began to migrate had, consciously, anything in his religion or ideas of government or plan of society which to any appreciable degree foreshadowed what was to happen. The institutional forms through which what we may call the American Idea has chiefly expressed itself are:—

1. Pure religious liberty;

2. An asylum for the oppressed of all lands—except two or three;

3. A government based on the theory that all power emanates from the people.

What was the Puritan's attitude toward these principles? What did he do to establish them?

He was not merely hostile to them: he was their enemy, bitter, implacable.

The story of his fight against religious liberty is little short of amazing.

(1) We have credited the Puritan with an intense love of liberty. We have supposed, some of us at least, that he abandoned his home and faced the terrors of a savage country at the other end of the world because he wanted to establish—away from the corruption of the aristocracy and of the church—a government dedicated to civil and religious freedom. What are the facts? The Puritan believed in liberty—for himself and for those who believed exactly as he did; the liberty he allowed to others was the liberty to keep away from him and, to such as came, to be gone as fast and as far as possible. Separation of Church and State was farthest from his thoughts. When so far away from Church and King that he was under no menace and could express his own convictions unafraid, he built not a free government but a theocracy, a theocracy which in its bigotry, its denial of the right of private judgment, and in its ruthless methods, was probably never surpassed. He not only established a State Church—he made the State subordinate to the Church: in Massachusetts he made Congregationalism statute law, and the dissenter a malefactor; in New Haven he "bettered the instruction" of a statesman of our own day who only re-discovered the Ten Commandments—the Puritan re-enacted both the Commandments and the Mosaic Code.

Early in the existence of his theocracies, the Puritan came into direct conflict with the one great Prophet who carried America in his mind and heart, as the acorn carries the great oak. Roger Williams alone, of all the men of his time, and in contrast with all the philosophers, statesmen and churchmen who preceded him for more than a thousand years, had a theory of the relations of Church and State, a program of individual rights which

directly foreshadowed our Federal Constitution. The charter which he finally obtained for Rhode Island in 1663, not only established the first government in the history of the world that was thoroughly free, but it furnished the only form of government existing at the close of the Revolution which found itself in no material conflict with the Constitution of 1787.

With him, and because of his ideas, the Puritans differed bitterly. To them he was no better than the anarchist seems to us. So they drove him out, banished him, and later on, when the New England Confederacy was formed, Rhode Island was barred out, left defenseless to the tender mercies of the Indians, because of its perniciously liberal characteristics. Then, too, the Puritan mercilessly persecuted that gentle, noble and, it must be confessed, at times, pestiferous sect known as Quakers, barbarously maltreating many and hanging a few, including one woman. Later on he found it necessary in support of his ideas to fine, whip and jail Baptists just because they were Baptists.*

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*These are some of the penalties prescribed by the early laws of Massachusetts: For holding religious service using the Prayer Book—banishment. The same for denying the immortality of the soul, the resurrection, sin in the regenerate, the need of repentance, the redemption and justification through Christ, morality of the fourth commandment, the baptism of infants or for departing the service during the latter ceremony. For denying any of the books of the Bible—whipping, fine and banishment, in turn. For denying the true God—imprisonment, pillory, whipping, boring the tongue with a hot iron, sitting on gallows with a rope about the neck, at the discretion of the court. For being a Jesuit—banishment, and death for return.

These are some of the punishments actually inflicted. For calling a justice a **just-ass**—fine and banishment with the threat of death for return without leave of the Governor. Banishment of Roger Williams and Mrs. Anne Hutchinson and her brother-in-law for heresy. Her son and son-in-law were imprisoned for expostulating against the punishment inflicted on the mother. Dr. Child and others were fined for petitioning for leave to worship with Prayer Book and to be relieved from payment of rates to established church. Twenty-five freemen fined for signing appeal in above case. John Clarke and Obadiah Holmes, Baptists, for holding religious service in private house—fined

His meanest and most indefensible action was in Maryland. The Puritan went there in considerable numbers because—as usual—he was having trouble with his own kin elsewhere. This nominally Catholic colony received him with open arms and at no time oppressed him in his person or beliefs. Catholic Maryland, under Lord Baltimore, was only slightly less enlightened and liberal than Rhode Island itself. All this the Puritan repaid with lying reports to the home government, to the effect that the Catholics were oppressing and misusing him, and at the first opportunity he treacherously overthrew the government of his benefactor and attempted to substitute for the liberal laws of the colony others hostile to the Catholics.

The facts attending the founding of all the Puritan colonies except Plymouth and Massachusetts Bay establish the Puritan's intolerance. Substantially every new colony was founded because he could not live with his own people. He was frequently "an undesirable citizen" amongst his own kin, if he was in the minority, and if he was in the majority he made it so uncomfortable for all who disagreed with him that many of them gladly went elsewhere. Some were banished, some migrated because the Puritan wasn't strict enough, others because he was too strict.

(2) That the Colonies should become a refuge for the oppressed of all lands was not the Puritan's plan. He

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and imprisonment till fine was paid or be whipped. Clarke paid fine and Holmes was whipped. Clarke was afterward associated with Roger Williams in obtaining the Rhode Island Charter of 1663. Quakers were to be imprisoned, whipped with twenty stripes and kept at work until banished, and put to death if they returned. Shipmasters bringing them in were to be fined £100 and any person entertaining or concealing them to be fined forty shillings for each hour of entertainment. Under these laws William Robinson, Marmaduke Stevenson, William Leddra and Mary Dyer were put to death; others suffered the lesser penalties.

discouraged immigration, indeed was directly hostile to it. He wanted his little theocracies all to himself.

(3) That all power emanates from the people he denied emphatically. He found in his own interpretation of the Scriptures the source of all authority. Hence his ideal government was a theocracy.

The Puritan was bigoted, unsympathetic, harsh—even cruel, but he believed in his right to govern himself and to worship God as he saw fit—and incidentally to make everybody else do as he did. But this was really incidental. The great thing about the Puritan—the thing that made him a beneficent and lasting power in the world—was his intense belief in his individual responsibility, the assertion of his individuality.

But of this and its significance he was almost wholly unconscious. He did not realize the prophecy that lay in a world large enough to welcome all convictions and too large for bigotry. The vast reaches of America were voices of Destiny calling on men to found societies expressive of their individual ideas of religion and of life. The Puritan's sense of individual responsibility, otherwise known as the "New England conscience", gave strangely contrasting answers to that call. The Pilgrims, gentle and just, founded Plymouth. Puritan Massachusetts Bay, stern and intolerant, ranged itself alongside. Revolting from the bigotry and cruelty of Massachusetts Bay, Hooker founded Hartford.* Impatient because Massachusetts Bay was not sufficiently rigid† and intolerant, Daven-

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*In Connecticut, while the franchise was never restricted to church members, public worship except of the Congregational Church was not lawful until 1669; and then only on application to, and approval by the general court; dissenters were relieved from paying rates to the established church gradually, beginning with the Episcopalians in 1727; not until 1784 was a general law enacted exempting all dissenters from the payment of such rates, and persons without church affiliations were not exempt until 1818.

†In Massachusetts none but members of the Congregational

port founded New Haven. Dissatisfied with its liberal laws when New Haven became a part of Connecticut, a little band of fanatics led a new migration and founded the sternest and strictest of all theocracies styled a "New Ark". (By that name and especially by that fame, the modern city of Newark would have difficulty in recognizing itself.) Rejecting the harshness, the cruelty, the intolerance of individual judgment, and the union of Church and State which was written into the laws of all the Colonies, Puritan and non-Puritan, Williams founded Rhode Island and made it the refuge of all who suffered persecution elsewhere. From societies so variously founded to a general society planned to insure liberty of conscience and the inalienable rights of the individual, was an inevitable step. *And it was the great step.*

Notwithstanding his theocratic methods, the Puritan was unconsciously preparing for that step throughout the whole period of his dominance. Each colony was in reality and separately a rebel and it was certain that sooner or later all would be rebels together. When revolt came and was successful, united action, compromise—compromise which, putting aside non-essentials, centers around and establishes great principles held in common, became a necessity, a matter of life or death, of order or anarchy. Compromise led first to that halting, illogical, impotent half-way experiment known as the Confederation of 1781, and finally and inevitably to the Federal Union.

In most of his conscious purposes the Puritan was wrong. In his unconscious purposes, in the power of the basic principle for which he stood, but did not compre-

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Church could vote until 1665; no other form of religious service was lawful until the old charter was annulled and a new charter granted by William and Mary, in 1691; every property holder was taxed for the support of the Congregational Church until 1727; and every one without church affiliation was so taxed until 1833.

hend, in his efficiency and intensity, his integrity, personal purity and wholesome-mindedness, and especially in his repudiation of all civil and spiritual overlords, he was right and great.

One of our distinguished* educators, a thinker and a statesman, lately said: "America is not merely a geographical division of the earth, a union between states, a body of cities and towns; it is an idea, an ideal, a vision." America was barely a vision for many centuries; but the America of to-day, with all its faults, is a nobler, statelier structure than any that lifted its front in the dreams of the early lovers of liberty. America was once an idea only; but that idea is now a reality, and to nearly one hundred millions of people it is as beautiful as his dream-Republic was to Plato.

Just what now is the American Idea?

The responsibility, capacity, surpassing dignity, instinct for justice, aye, the divinity of man, of the individual, is the idea. A government and a society built around that idea is our great gift to mankind. Toward that idea humanity struggled heroically, stubbornly, bitterly, and sometimes blindly, for nearly fifteen centuries. In the one hundred and seventy years immediately succeeding the landing of the Pilgrims, the idea was definitely and irrevocably merged with the intuitions of our people and placed in our fundamental law.

The Emperor Constantine, who was more than fourteen centuries in advance of his time, first proclaimed the principle. Roger Williams, who was nearly two centuries in advance of his time, first gave it voice here. Constantine lifted a torch which was so smothered by the struggles of the succeeding centuries that it illuminated almost no man's way. Roger Williams lighted a flame which at times burned low but never went out, and finally in our

*Honorable Woodrow Wilson.

Federal Constitution became a light that lighteth the world.

The discoveries of the fifteenth and sixteenth centuries literally made a new heavens and a new earth. The Mayflower laid her shining path for the land of the NEW MAN. This, however, the Pilgrim appreciated very faintly, the Puritan not at all.

The Puritan's spiritual intensity and individuality supplied the driving power which the Pilgrim lacked. The Pilgrim opened the door to the land of the New Man. The Puritan tried to close the door, but Destiny held it open. The oncoming thousands, whether they entered the land by the Pilgrim gate or elsewhere, caught the infection. They took from the Puritan not his theocracies but his conception of individual responsibility. Away went the external forms of Puritanism. Away went the whole European program of society. In came the New Man, and with him a demand for the Puritan standards of conduct, standards which have ultimately controlled the public opinion of this people ever since we became a nation, standards under which alone government by the people can endure. Events translated the bigotry of the Puritan into virtues: it was first translated into power; it became power because it was unselfish, because it was born of conviction, not of ambition. *Freed from theocratic limitations, Puritan bigotry became self-respect.* Self-respect gave form and substance to the dreams of Roger Williams, place and force to the justice and gentleness of the Pilgrims, and, finally, rekindled the torch which fell from Constantine's hand.

The forefathers taught us self-respect; the doctrine that civic salvation comes from within and not from without. They taught us disbelief in the divine right of kings, belief wholly in the divine rights of man. Therefore they loom gigantically; they dwell in our Olympus: Williams

and Brewster and Bradford and Winthrop and Davenport and Hooker and a host of others equally worthy and worthily equal. Their influence over us and our attitude toward them find expression and interpretation in the words of an unknown poet, who says:

> "Oh God of nature, how thy kindness keeps
> "Some changeless things on earth,
> "And he who roams far off and toils and weeps
> "Comes home to learn their worth.
>
> "Gay visions vanish, worldly schemes may fail,
> "Hope prove an idle dream,
> "But still the blossoms flourish red and pale
> "Beside my native stream."

MATTHEW HENRY BUCKHAM: AN APPRECIATION

REMARKS BY MR. DARWIN P. KINGSLEY BEFORE THE NEW YORK ALUMNI ASSOCIATION, UNIVERSITY OF VERMONT. FEBRUARY 17, 1911

IN THE history of Vermont as a rebellious and unattached territory, and in her history as an independent republic, two men stand out above all others: Ira Allen, the founder of the University of Vermont, and his brother Ethan, the almost mythological hero of the New Hampshire Grants. In the history of Vermont as a State, covering nearly one hundred and twenty years, many men stand out, but in my judgment three men stand pre-eminent: Thos. Chittenden, Justin Swan Morrill and Matthew Henry Buckham.

Governor Chittenden's place has been confirmed and emphasized by the final arbiter of all greatness, the passage of time.

Senator Morrill's fame rests on foundations as broad

as the nation itself, and with each passing year he is increasingly recognized as having been one of the creatively wise, the sanely patriotic statesmen of a period that demanded and produced giants.

Matthew Henry Buckham's right to rank with Chittenden and Morrill will not be instantly recognized or conceded by all, not even by all Vermonters. His life and work were not the kind that usually or indeed often command quick recognition. He was not the political head of the State; he did not reach nor seem to care to reach the popular imagination. He did not stand in the Senate House and battle for sound money and the nation's credit. He created in the youth of the State the sound minds which gave political leaders sane audiences. He moulded the intellects and the morals which lie back of good politics. His fame will rest on labors as undramatic and as vital as wholesome food and pure air. Vermont produces men. Why? The life work of President Buckham gives us a large part of the answer to that question. In a few words, what manner of man was he? What did he accomplish?

First of all he was a scholar, using the word in its finer and—shall I say?—earlier significance. He exhaled no atmosphere of pedantry or bookishness. His scholarship found expression in the exquisite refinement of his mind, in his quick and broad sympathies, in his intellectual and moral standards. Mere learning—which not infrequently kills the spirit—he cared little for. He was "orthodox" mentally and spiritually, but as applied to him the word loses all offense. He stood by his standards, but he loved the truth above all things and was never afraid to follow whithersoever it might lead him. He loved the old classical college training; but he early recognized the trend of modern life and instead of opposing he lead it in the recent development of the University.

He loved the standards of Congregationalism, but if the Church as a whole had met the discoveries of science in the spirit that actuated him, there would have been no conflict between Science and Religion.

He was a modest man, as all brave men are. He hated shams. He had a fine sense of humor, that saving grace. He had a deep pride in the careers and work of the men and women whose lives he had strongly influenced. But of this, one got only flashes now and then. His consciousness of the fact that he had profoundly influenced certain careers, he guarded jealously. But here, it seems to me, was his highest conscious reward. I don't believe he ever thought of how the world would hold him after he was gone. He was a shy man. This quality caused him not infrequently to be misunderstood by the students.

At thirty-nine—having already been related more or less closely to the College for over twenty years—he came to the Headship of the University of Vermont. He found it almost penniless; he left it after forty years with an annual income which represents an invested value aggregating well over $4,000,000. He found it almost without buildings; he left it architecturally surpassed by few New England seats of learning, if indeed it is surpassed by any. He found it almost without students; he left it with a body of undergraduates two-thirds as large as that of Yale University when he began his Presidency in 1871. He found it without distinct standing in Vermont; he left it the leading institution of the State. He found it a struggling College; he laid the foundations and built some of the superstructure of a real University.

For forty years he moulded the character of Burlington and of the State. He went about it so quietly that few realized his power. He set a standard of public speaking and of writing that few College Presidents have ever reached—standards by which all his successors will be

measured. He toiled and struggled and hoped. His toil bore fruit; his struggles triumphed; his hopes came to be realized.

He saw the College transformed—in its equipment, in its courses, in its endowment. He lived to see the completion of the first great step toward an adequate endowment.

Chittenden needs no monument, neither does Morrill, and I add neither does President Buckham. The University is his monument. The greater we make that, the surer and larger his fame. The University of Vermont can no more be separated at any time from the life and labors of Matthew Henry Buckham, than the State of Vermont can be separated from the labors of Chittenden. His place in its history is as fixed as are the outlines of Mansfield in the exquisite panorama which has daily changed its pictures and shifted its scenery before the eyes of a century of successive classes.

If I may so speak without being misunderstood, President Buckham lived too much the life of the spirit. His spirituality, intellectual refinement, sensitiveness and modesty denied him a kind of success as an administrator which the world rates high; but that success—if he had achieved it—would not be dearer to some of us than our memories of President Buckham as he was.

It was his habit (through occasional correspondence) to give some of "his boys" fugitive glimpses of the deep affections he cherished. If he found a bit of fine poetry in a current magazine or review, he would clip it out and send it. The poems that came to me always expressed the attitude of the spiritually-minded man toward the scenes and loves of earlier days. Some years ago he sent me and told me to keep a little poem entitled "*An Old Virgil".

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*W. H. Savile—The Spectator.

A quarter of a century had passed since I left the University. More than a half century had passed since he had, as a college student, laid aside his Aeneid. But if anyone questions whether he cherished, almost sentimentally, the spirit of his youth or that he kept the fires of affection always burning, let him listen:

"A faded, shabby little book,
Besmeared with many an inky stain,
Down from my silent shelves I took,
And turned the well-worn leaves again.
Not dearer to the scholar's heart
His tomes of vellum and of gold
Than this which has become a part
And parcel of the days of old.

Around each page, from far off years,
The glamour of one's boyhood clings
And wakes once more the sense of tears,
The sadness at the heart of things.
* * * * * * * *

We saw not then the soul that lay
Beneath the wistful, tender phrase,
Nor thought how there would come a day
When we had gone our different ways
When that sweet charm, that magic touch
Would pierce the heart with sudden pain,
And makes us long—Ah me! how much!—
To see that Form-room once again."

Observation teaches me that many students did not see in President Buckham "the soul that lay beneath the wistful, tender phrase", but now the day has come, we having "gone our different ways", when that sweet dignity which marked his every act and thought rises before us to "pierce the heart with sudden pain".

Whatever of the great prizes of life any of us may have won, or may hereafter win, there will always rest on the shelves of memory an ink-stained volume, redolent of

youth whenever we tenderly take it down, recalling, when its leaves are turned, that gentle yet strong figure which has indeed now become "a part and parcel of the days of old".

A college or university training is a succession of re-generations. President Buckham was our intellectual and moral father—the head of those re-generating forces which transform and re-transform, awaken and re-awaken, mould and re-mould. "A part and parcel of the days of old" he is, but equally a part and parcel of us as we are to-night. So by the law of the limitless sphere in which we came under his tutelage, he will forever remain a part and parcel of the University, of the State and of the scholar's larger world.

He sent me a little manuscript poem last summer, the authorship of which he did not know. He was then re-visiting the scenes of his childhood, seeking the vigor that did not return. He was amid scenes which had power to recreate for him his long-departed youth. This poem expresses his emotions, voices his affections and his regret. It told and tells how a brave man can face the tragedy of age with the songs of youth on his lips.

Sweet tangled banks where ox-eyed daisies grow
And scarlet poppies gleam;
Sweet changing lights that ever come and go
Upon the quiet stream!
Once more I see the flash of splendid wings
As dragon flies flit by;
Once more for me the small sedge-warbler sings
Beneath a sapphire sky.
Once more I feel the simple, fresh content
I found in stream and soil,
When golden summers slowly came and went
And mine was all their spoil.

The spirit of these lines so reflects the spirit of the man, his refinement, his fine feeling, that we may well

believe, that he, having passed from our sight, has indeed found those "tangled banks" where "scarlet poppies gleam", that he has caught "the flash of splendid wings", and that "beneath a sapphire sky" his "golden summers" live again.

CHARGE TO THE PRESIDENT OF THE UNIVERSITY OF VERMONT

October 6, 1911

THE idea for which we are Trustees dates back to 1777. It first found expression in the historic instrument then adopted as the fundamental law of sovereign Vermont. It was born of great men and its twin was the deathless declaration of the same instrument against every form of human slavery. The original purpose of the founders of this State that there should be a University of Vermont, was lost sight of in the struggle of the succeeding fourteen years. Geography as well as sovereignty was then a little uncertain, and misled by a movement which promised to extend the boundaries of Vermont far enough to the eastward to include Hanover and Dartmouth College, valuable lands which were originally designed for the University of the State became the property of the great institution founded by Lord Dartmouth. In the Constitution of 1791 provision was again made for a State University, but until Ira Allen took the initiative, the charter granted was without vitality.

Chiefly because of his generosity and faith, the University graduated its first class in 1804.

Time denies even an outline of the struggle of more than a century which followed. It has been of the kind that produces high thinking, and the environment has been such that plain living was always necessary.

To-day,—after the lapse of one hundred and thirty-four years—we proudly salute the men of 1777. They wrote into the fundamental law of the Republic which later became Vermont, the order that the University of Vermont should be created. We salute them proudly because we bring evidence that their ideals have been honored, their ambitions realized. The University planned for their liberty-loving republic is now a reality, an institution greater than any they then foresaw; yes, a nobler pile than any of which even Ira Allen dreamed. We have come, in fact, through toil, tribulation and solid achievement, to a point where the prestige of the institution is such, its prospects such, its efficiency such, and its equipment such, that the plans of the men of 1777 and 1791 are not merely realized, they are glorified.

Guy Potter Benton, into your hands—in so far as we properly may—we place this noble heritage. We charge you with the task of using it to mould and develop the manners and morals of the youth of this State and of sister States and to inspire their minds. It incarnates the profound love of learning which possessed the souls of our fearless forbears—men who loved learning as they loved liberty, and how they loved liberty Ticonderoga tells and Crown Point tells and Hubbardton tells and Bennington tells. It embodies the dreams of Ira Allen; the labors of Daniel C. Saunders, Joseph Torrey, John Wheeler, McKendree Petty, Wyllis Benedict, James B. Angell, and a host of worthies living and dead; the statesmanship of Justin S. Morrill; the princely munificence of John P.

Howard, Frederick Billings and John H. Converse; and the loyal devotion of that body of graduates who have so generously endowed it. And finally it embodies the fine spirit, the lofty ideals, the unmatched service of Matthew Henry Buckham. We commit it to your hands with confidence, confidence born of the knowledge we have of your labors and your leadership.

We shall not qualify that confidence by extended admonition. Not, therefore, as an admonition, but as an expression of our own hopes, we say:

Serve the age, but lead it. Keep in touch with the spirit of the times, but do not hesitate to repudiate unsound doctrine, to rebuke unwise tendencies.

Beware of the over-practical spirit. "The life is more than meat, and the body is more than raiment." If any will take the so-called short-cut to learning, lead them nevertheless. But fail not to give the road and the destination correct names. Let the degrees of this Institution tell the truth.

Before delivering to you a copy of the charter, and copies of national and state legislation modifying it, together with the keys and seal of the University of Vermont, I will ask the Governor of the State, Hon. John Abner Mead, to administer the oath of office.

(*Oath administered*).

On behalf of the Trustees of the University of Vermont and State Agricultural College, I hand you a copy of the charter of Nov. 3, 1791, a copy of the Morrill Act of 1862, donating public lands for the establishment of a College of Agriculture and the Mechanic Arts in each State and Territory of the Union; a copy of the Act of Congress passed in 1890, supplementing the Act of 1862, and establishing

agricultural experiment stations; a copy of the Act of Vermont passed in 1865 incorporating the University of Vermont and State Agricultural College, together with subsequent RESOLVES of the Legislature of this State relating thereto.

I also hand you the keys of the several buildings in which the University is housed; and, as final evidence of your authority, I hand you the seal of the institution.

You have now taken the oath of office, and have been clothed with the symbols of your authority—therefore, on behalf of the corporation, I now declare you, Guy Potter Benton, to have been duly elected and installed, President of the University of Vermont and State Agricultural College.

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